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# FINANCIAL TIMES

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## ARCHBISHOP RUNCIE IS ENTHRONED

Roger Taylor

The Right Rev. Robert Runcie at his enthronement at Canterbury yesterday as the 102nd Archbishop of Canterbury and head of the world's 64m Anglicans.

# Jobless increasing with 11.9% rise over six months

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

**Adult unemployment is rising sharply. The total has increased by 150,000, or 11.9 per cent, in the six months since the upturn began.**

Department of Employment figures, seasonally adjusted, published yesterday show that the number of adults out of work rose by 30,800 to 1.41m in the month to mid-March. This is equivalent to 5.8 per cent of the national workforce.

The mid-March total is the highest since January 1978, and only 10,000 less than the post-war peak in November 1977.

The rise in unemployment has been accompanied by a steady decline in notified vacancies in the past nine months as companies have cut recruitment in response to a slowdown in economic activity. There has been a sharp increase in redundancies since the New Year.

A bleak outlook for both output and jobs is likely to be confirmed this afternoon by the short-term Treasury forecasts accompanying the 90-minute Budget speech of Sir Geoffrey Howe, the Chancellor.

Most private-sector forecasters believe that total output will decline by at least 1¼ to 2 per cent this year, and by much more in manufacturing, while adult unemployment may rise by between 350,000 and 400,000 by the end of the year.

However, living standards and consumer spending look like holding up.

The rise in unemployment in the month to mid-March was less than the average of more than 40,000 in the previous two months. The official view is that the earlier figures were affected by uncertainty over the steel strike, which affected company recruitment plans.

The most significant recent development has been the rise in redundancies.

These are estimated at 51,000 in January and February, more than double the figure for the same months of last year, and the highest total for five years.

Redundancies were concentrated in textiles, metal manufacturing, mechanical engineering and construction.

The change in employer attitudes is also shown by the further fall in notified vacancies. These are usually about a third of total vacancies.

The seasonally-adjusted figure dropped by 10,600 to 180,800 in the month to mid-March. This is the lowest figure since January 1978, and is a drop of 81,600, or 31 per cent, since the peak last June.

The Government's various special employment measures continue to have a big impact, at present keeping about 205,000 off the unemployment register. The average impact in 1980-81 is expected to be 195,000.

After ignoring the usual seasonal adjustment, total UK unemployment dropped by 11,250 to 1.48m in the month to mid-March. This is equivalent to 6.1 per cent of the work force.

The number of school-leavers out of work dropped by 6,900 in the month to 31,240, almost exactly the same as a year ago.

Regional map, Page 8

# Inflation in U.S. up 1.4% last month

By Jurek Martin in Washington

U.S. CONSUMER prices rose 1.4 per cent in February, the second consecutive monthly increase of this size, with the cost of fuel and housing major factors.

The latest increase brought the rise over 12 months to 14.1 per cent, and the rate is accelerating. In the three months to the end of February, prices were up by an annual rate of 17.2 per cent. January and February alone showed an annual rate of more than 18 per cent.

The figures illustrate the dimensions of the inflationary problem confronting President Carter and the Federal Reserve Board. When the latest economic package was unveiled 10 days ago officials were at pains to warn that no early relief from soaring prices was in sight.

The February rise in the consumer price index had been broadly expected. The housing component of the index went up by 1.4 per cent, the same as in January, reflecting high interest rates. The cost of financing a home purchase went up by an even higher 2.9 per cent.

The transport component, heavily influenced by the price of oil, rose 2.8 per cent, only a little better than January's 3.1 per cent, as the effects of December's increase in Organisation of Petroleum Exporting Countries' prices and the phased decontrol of domestic oil prices worked their way through the system.

Petrol prices alone went up 7.3 per cent in February, virtually the same as in the previous month. Home heating oil cost 5.1 per cent more.

The increase in the index would have been bigger but for the fact that food prices were stable for the second consecutive month.

But the extent of inflation was amply demonstrated in other sectors. The medical care index rose 1.5 per cent in February, the cost of entertainment was up 1.2 per cent and the price of other goods and services climbed 1 per cent.

The net effect of inflation was to depress again the real spendable earnings of American workers. In the 12 months ending in February real spendable earnings—pay minus social security and income taxes adjusted for inflation—fell 7.3 per cent.

Editorial comment, Page 18

# Row over 'new' EEC budget paper

BY RICHARD EVANS, LOBBY EDITOR

SENIOR MINISTERS continued to emphasise the importance of European Commission proposals for solving the UK's budget difficulties yesterday after the Government came under heavy attack in the Commons for misleading MPs.

Mr. Nigel Lawson, Financial Secretary to the Treasury, was accused by Opposition leaders of deceit. He had claimed that a Commision document represented a fresh initiative which could end the running Common Market battle over Britain's net £1bn deficit.

The Minister's comments, in a late night Commons debate on the EEC budget, caused bafflement in Brusels and other Common Market capitals because the document, received in Whitehall last Friday, contained nothing new. It was essentially a resumé of commission proposals issued early in February.

But the Government's view was that the commission paper represented a significant step forward in claiming that, after lengthy discussion, there was no technical barrier to solving the problem of Britain's imbalance between payments and receipts.

What remained puzzling to MPs was the sudden importance being attached in London to proposals that have been circulating EEC capitals for several weeks.

One theory was that the Government was seizing on the commission formula as confirmation that Britain's mounting difficulties were easily soluble, given the necessary political will within the Community.

The commission proposals make it clear that Britain will not pay less money to the EEC—Mrs. Thatcher has concentrated on demands for a massive cut in contributions—but will receive more.

The proposals involve spending more Community cash on regional development, transport infrastructure and urban renewal, although no sums are specified.

Such enthusiastic acceptance of this tactic could herald a change of policy by Mrs. Thatcher before the delayed summit is held in Brussels next month.

In the Commons Mr. Lawson was accused by Labour MPs of giving a vastly over-optimistic version of the document. They were also furious that the Government had not made it available to MPs for the debate.

Mr. Lawson, stung into comment by Opposition accusations, rejected protests as "a classic example of synthetic indignation."

But Sir Keith Joseph, Industry Secretary, who stood in for Mrs. Thatcher during Prime Minister's questions, was noticeably less enthusiastic about the document than Mr. Lawson. Sir Keith described it as "quite a useful contribution that could form the basis of Ministers' discussions."

The negotiating positions, Page 18
How the CAP works, Page 2
Farm prices, Page 31
Parliament Page 13

## No date yet for summit

BY JOHN WYLES IN BRUSSELS

THE EEC was still without a date last night for its next summit, following the postponement on Monday of next week's meeting in Brussels by the Italian Government.

Despite lengthy discussions, Community officials have so far failed to find two days towards the end of April convenient for all nine heads of government and their Foreign Ministers.

But the Italian Government, currently holding the presidency of the Community, is expected to try to break the deadlock today with a proposal that the European Council should be held sometime between April 26 and April 29.

Postponement of next week's meeting was sprung on the Community unexpectedly on Monday by Sig. Francesco Cossiga, the Italian Prime Minister designate, whose government fell last week. Sig. Cossiga has explained that his first priority is to form a new government in Rome.

**£ in New York**

| — | Mar. 24 | Previous |
|---|---|---|
| Spot | $2.1895-1910 | $2.1850-1865 |
| 1 mnth | 0.02-0.07 prem | 0.22-0.27prem |
| 3 mths | 0.50-0.55 prem | 0.50-0.65prem |
| 12 mths | 0.50-0.60 prem | 0.50-0.60prem |

# Ministers agree to tighten union immunity proposals

BY ELINOR GOODMAN, LOBBY STAFF

MINISTERS ARE understood to have agreed on a significant tightening up of their proposals for restricting secondary industrial action.

The objectives of the proposed legislation remain the same as when it left the Cabinet last month, but Ministers now hope that they have succeeded in closing the loopholes that industry claimed were contained in the original draft.

The changes will mean that the net of immunities will be drawn much more tightly than it would have been had last month's working paper become law.

Mr. James Prior, Employment Secretary, who has always argued for a gradual approach to trade union reform, apparently backed the change.

A final decision still has to be taken by the full Cabinet. But at a meeting of one of its sub-committees this week, it was apparently agreed that the proposed amendments to the Employment Bill should be tightened up to prevent the knock-on effect of secondary action going beyond companies involved in the dispute—either as first customers or primary suppliers of the company on strike.

Secondary action will not, however, be totally banned as some Ministers demanded last month.

Unions will still have immunity from suits for breach of commercial contract if the action involves the "first customer or first supplier" and can be shown to have a direct bearing on the company on strike.

But they will not be granted immunity if by taking action against a first supplier, they disrupt that supplier's business with another company.

The review of the amendments follows a month's consultation over the proposals which were hammered out at a series of Cabinet meetings last month.

The consultations showed that industry was concerned that the Government's proposals left too many loopholes. They should be closed by the amendments, which will be published before Easter and introduced to the Bill at its report stage.

# Go-ahead for U.S. Bowring bid with no Monopolies reference

BY JOHN MOORE

THE £226M planned takover bid by the U.S. insurance broker Marsh and McLennan for C. T. Bowring of the UK will not be referred to the Monopolies and Mergers Commission, Mr. John Nott, Secretary for Trade, announced yesterday.

The decision means March and McLennan, the world's biggest insurance broker has surmounted a major hurdle in the UK. It is pressing on with its acquisition of Bowring, which is fiercely resisting the bid. On the London stock exchange Bowring's shares rose 10p to 141p yesterday after reaching 148p at one stage. This compares with the 156p per share offer made by Marsh.

Mr. Nott's decision was taken after studying the conclusions in a report prepared by the Office of Fair Trading.

Bowring, a major UK insurance broker with banking, credit finance and large Lloyd's of London interests, had been hoping that the deal would be referred to the Monopolies Commission, which could have held the acquisition up for nine months and then perhaps have ruled against it.

But the Department of Trade has decided that the takeover would not give rise to a monopoly, and that there are no serious issues of public interest to be taken into account. That view is believed to be shared by the Office of Fair Trading.

Mr. Robert McCrindle, Conservative MP for Brentwood and Ongar and Parliamentary consultant to the British Insurance Brokers' Association, said yesterday: "I am pleased that this decision has been arrived at. A monopoly situation never existed."

Lloyd's said yesterday: "Marsh and McLennan generates a lot of business for the London market. As long as it complies with Lloyd's rules we have no objection. Lloyd's, anyway, can only be a spectator in this deal."

Other members of the insurance community in London said it would have been wrong to resist the Marsh bid by the creation of "any artificial barriers." They felt that the deal would strengthen the London market.

Marsh is now completing formalities with the U.S. Securities and Exchange Commission before it issues its offer document. This is expected shortly.

Mr. Gilbert Cooke, Bowring's managing director, said the group was "intensely disappointed that good sound arguments have not carried the day." The Bowring defence document is understood to be at an advanced stage of preparation.

Lex Back Page

# NEWS SUMMARY

## GENERAL

### Olympics snub for Thatcher

British Olympic Association representatives meeting in London agreed to send a team to Moscow. The decision is a blow to Margaret Thatcher's attempt to boycott the Games because of Russian intervention in Afghanistan.

Fifteen of the 20 sports represented voted in favour, four wanted the decision deferred, and hockey had already decided not to go.

MPs voted last week by 315 to 147 to support Mrs. Thatcher's call.

### Murder at altar

San Salvador's Catholic Archbishop Oscar Romero, a champion of human rights, was shot dead as he celebrated mass in the capital. Page 6; Feature Page 19

### Kelly inquest

Delivery driver Francis Keegan told the Merseyside inquest into the death in police custody of labourer James Kelly that he saw two policemen kick and beat Kelly the night he died.

### West Bank snub

Israel rejected a U.S. appeal to halt building of Jewish settlements on occupied Arab land until May 26, the date set for a Palestinian autonomy agreement. Page 4

### Seveso settlement

Swiss chemicals company Givaudan and the Italian authorities appear to have reached an out-of-court settlement of L54.5bn (£24.3m) for the 1976 Seveso disaster.

### Shah to stay

President Sadat said the deposed Shah of Iran had accepted his invitation to stay in Egypt. In Tehran, about 30,000 demonstrated against his move from Panama. Page 4

### Chad killings

More than 700 people have been killed in fighting in the Chad capital of n'Djamena. About 500 Europeans have fled the area.

### Briefly . . .

Two young experienced climbers were found dead in the Grampians.

Tomato which can be stored without refrigeration for three months has been developed at Israel's Ben Gurion University.

## BUSINESS

### Dollar and sterling up; Gold falls

● STERLING was firmer ahead of the Budget, rising to DM4.1550 and FFr 9.6375, both seven-month highs. It closed 75 points up against the dollar at $2.1910 and its trade-weighted index was 72.7 (72.2).

● DOLLAR was boosted by firm U.S. interest rates to DM 1.8955 (DM1.8860) and its trade-weighted index was 89.7 (89.6).

● GOLD reflected dollar strength to close $25 off in London at $540.5. Copper followed bullion with cash wire-bars down £39 to £995.5 a tonne. Cash lead closed £37.5 down at £474.5 a tonne.

● EQUITIES trading was quiet and the FT 30-share index rose 3.1 to 430.3. The Gold Mines index fell 10.7 to 315.5.

● GILTS moved ahead on Budget hopes and the Government Securities index closed 0.21 up at 64.40.

● WALL STREET was up 1.11 at 766.55 before the close.

● SAUDI ARABIA is to maintain its raised production level of 9.5m barrels a day until world oil markets return to normal. Back Page; Other oil news, Pages 4 and 10

● U.S. is giving West Germany short-term aid in financing its budget deficit, and may soon provide more on a longer-term basis. Back Page

● CRAFT unions involved in the steel strike decided to accept the findings of the committee of inquiry as a settlement and to leave the Iron and Steel Co-ordinating Committee. Back Page; Other steel news Page 10

● STRIKE at BL's Jaguar plant over the company's imposed 5 per cent pay deal is likely to be delayed because the workforce was divided over the action. Back and Page 12

● SOGAT is to tell its national newspaper members to strike from the night of May 13 until midday on May 14 in protest at Government policies.

## COMPANIES

● RECKITT AND COLMAN, the household goods and toiletries group, incurred a fall in 1979 pre-tax profits from £61.3m to £51.01m on sales of £659.08m (£606.64m). Page 20 and Lex, Back Page

● LONDON AND SCOTTISH Marine Oil Company reported a pre-tax profit for 1979 of £23.44m against a loss of £10.73m. Page 20 and Lex, Back

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

| RISES | | |
|---|---|---|
| Excheq. 11pc 1991 | £78⅞ | + ⅛ |
| Excheq. 12pc 13-17 | £89¼ | + ⅛ |
| Allied Breweries | 73 | + 2½ |
| Amalg. Power | 82 | + 7 |
| Bowring (C. T.) | 141 | + 10 |
| Brent Chemical | 226 | + 4 |
| Bridon | 73 | + 7 |
| Carpets Intnl. | 31 | + 2 |
| Minet | 105 | + 3 |
| Muirhead | 194 | + 4 |
| Newmark (Louis) | 320 | + 6 |
| Paterson Zochonis A | 230 | + 8 |
| Stag Furniture | 192 | + 4 |
| UDS | 68 | + 3 |
| United Newspapers | 405 | + 12 |
| BP | 388 | + 8 |
| Beradin Rubber | 127 | + 13 |
| Guthrie | 845 | + 33 |
| Whim Creek | 82 | + 10 |
| **FALLS** | | |
| Aberthaw Cement | 138 | − 5 |
| Fairview Estates | 232 | − 5 |
| Pisons | 264 | − 5 |
| Natnl. Carbonising | 124 | − 6 |
| Reckitt and Colman | 172 | − 4 |
| Sainsbury (J.) | 293 | − 7 |
| Williams and James | 120 | − 5 |
| Carr Boyd | 20 | − 4 |
| Conzinc Riotinto | 236 | − 8 |
| De Beers Dfd. | 412 | − 23 |
| East Driefontein | £10½ | − ½ |
| Harmony | 791 | − 68 |
| Rustenburg | 220 | − 8 |

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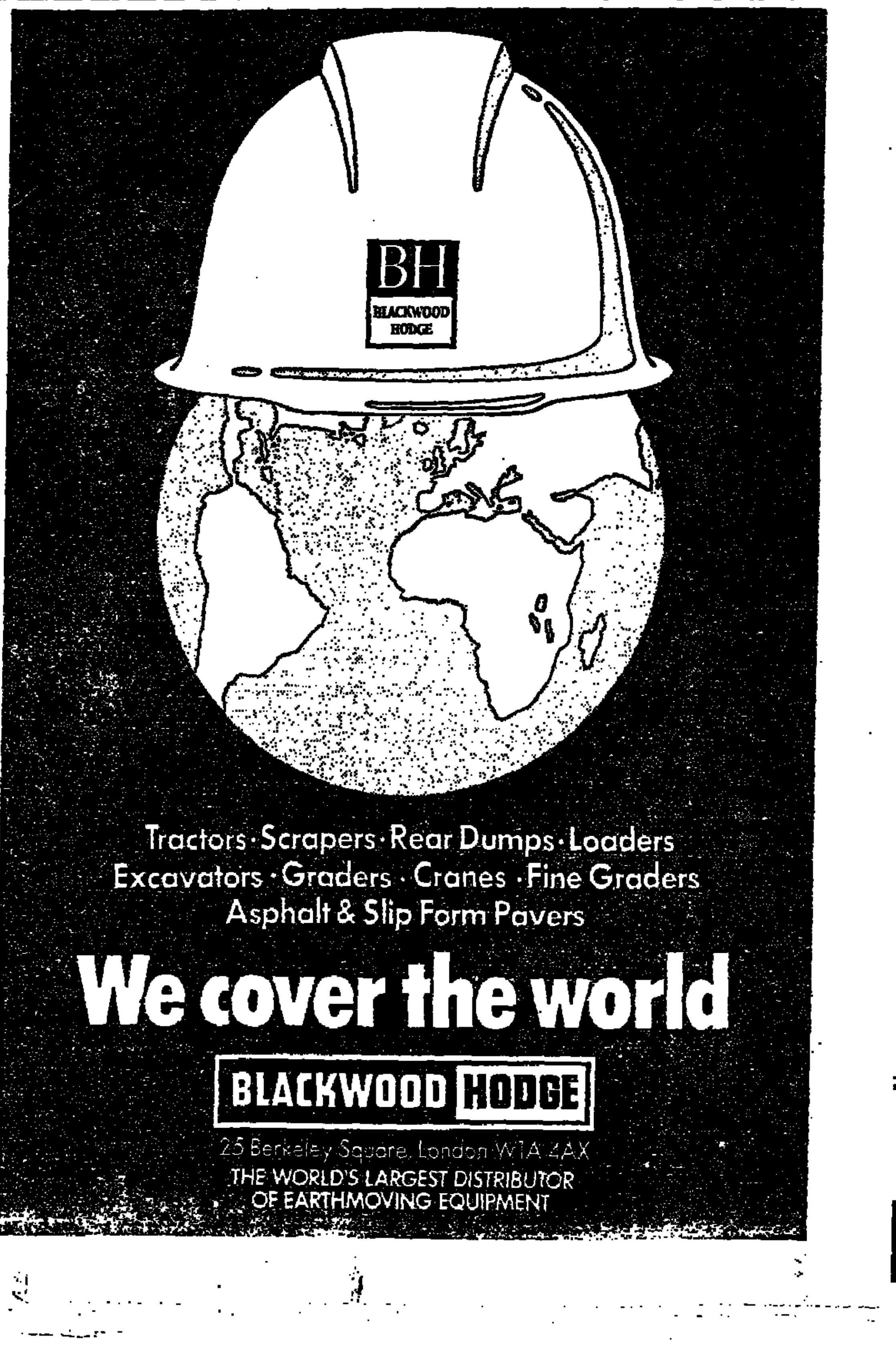
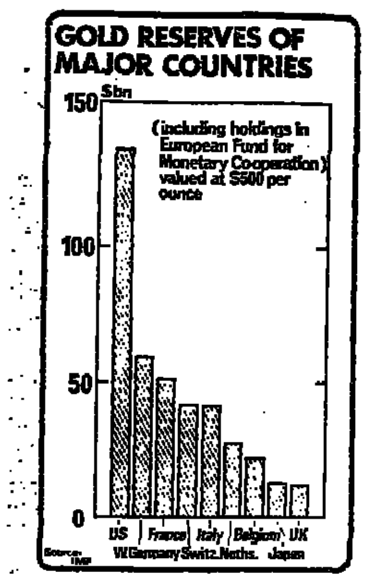


# Putting a value on bullion becomes a confusing business

BY DAVID MARSH




THE BRITISH Government is due to announce next week a windfall profit on a massive scale—an increase of around $5.5bn in the UK's monetary reserves as a direct consequence of the sharp rise in the gold price over the past 12 months.

Britain has joined the ranks of the growing number of countries which value their gold holdings in line with market prices rather than on the basis of the old official price of $42.22 per ounce.

The revaluation of Britain's gold reserves was carried out for the first time as of March 31 last year, and will be repeated annually at the end of each March.

The updating exercise will be in two parts: 80 per cent of *Britain's 22.9m ounces of gold* will be revalued at 75 per cent of the average of the London market price over the previous quarter (during this time the average price has been about $640, making a valuation price of about $480). The remaining *20 per cent, held in the European* Fund for Monetary Co-operation as part of the reserve-pooling arrangements of EEC central banks, remains set at $375 per ounce, the average price during the final six months of 1979.

Out of the confusing sets of arithmetic will arise an increase of around $5.5bn on account of the doubling of the gold price since the main valuation was last carried out, at a price of $179 per ounce, last March 31.

Imminent announcement of such a large increase in the *book value of Britain's monetary* holdings has prompted speculation that Sir Geoffrey Howe, the Chancellor of the Exchequer, may announce accelerated repayment of part of Britain's foreign debts to "sweeten" the otherwise *austere economic* picture expected to be presented in his budget today.

But the revaluation also highlights a growing inconsistency among the major industrialised countries in the methods used to value their bullion holdings.

For several countries, gold now represents the most important component of their international reserves (made up, apart from gold, of foreign exchange holdings, Special Drawing Rights and reserve positions at the International *Monetary Fund*). *Although* central banks have been highly reluctant to draw directly on their gold by selling the metal, gold holdings represent an important potential source of liquidity in case of balance of payments pressure, and can also be used *indirectly for balance* of payments, and as collateral in support of foreign borrowing.

The benefits of the price rise have been concentrated on an exclusive club of seven countries—the U.S., West Germany, France, Switzerland, Italy, the Netherlands and Belgium—which together owns three-quarters of the world's monetary gold. Britain is not a member, having run down its

France, traditionally the principal advocate of a monetary role for gold and the first country to revalue its gold *stocks back in January 1975*, adjusts its valuation every six months on the basis of the average price of gold during that time.

Italy uses a 15 per cent discount from the average market price for the preceding three months, while the Netherlands revalues its gold at three-year intervals, using 70 per cent of the minimum average annual price during that period.

The U.S. and Belgium, on the other hand, value gold in their accounts at the old official price of $42.22, while West Germany and Switzerland have adopted valuations fixed in their own currencies based on (but no longer equivalent to) the old official price.

The anomalies appear even greater when the method of valuation of the gold within the *EEC's reserve pooling arrangement* is considered. One of the main innovations of the European monetary system was a scheme to finance intervention among EEC central banks, in which the Bank of England participates even though Britain is not a member of the EMS exchange rate mechanism.

Under this scheme, Community countries deposit 20 per cent of their gold reserves with the European Fund for Monetary Co-operation, receiving in return stocks of European Currency Units (ECU's) which are used primarily to settle intervention debts.

The distributed ECUs are revalued every three months at the average price of gold during the preceding six months. The next valuation will take place in early April.

Margaret van Hattem continues her examination of the workings of the CAP

# How rural constituencies block change


THE CONSISTENT response of EEC farm ministers to the Community's farm surpluses has been to push up the high prices which cause them. Rather than tackle the problem, they *have a tendency to go off* and squabble about wine, New Zealand butter imports or the formula used to calculate pork subsidies.

The standard answer to any Commission proposal just to stop the subsidies growing any further is to say it would be "politically impossible." But with so many consumers and taxpayers to please and so few farmers to console what is the political logic of maintaining high subsidies?

The answer lies in a few vital rural constituencies throughout the EEC whose votes are important. Farm *ministers* are anxious not to lose their Government's grip on specific parliamentary seats in rural areas. At the same time they may see what they can do for sympathetic contacts in the food business.

The politically important areas are not the rich productive areas with big farms but the ones with the most farmers, which are often small, poor farms. So the issues that get most ministerial attention in Brussels are often economically trivial.

For example, towards the climax of each annual price fix*ing the Italian Minister, who, up* to the last Italian poltical crisis, was Sig. Giovanni Marcora, halted the proceedings while he brought out his ritual "shopping list"—a long column of apparently minor items like lemon subsidies; tomato processing aids, support for peach or growers—he was not being perverse. He was simply thinking about Molise, Abruzzi, Basilicata, Calabria, Puglia and Sicily, where farmers form up to a third or more of the workforce.

Most of these southern Italian farmers vote for the Christian Democrat Party, have always voted for the Christian Democrats and will probably continue to do so. All the same, in a region *where Communists and* Socialists together hold a substantial number of parliamentary seats, the Christian Democrats like to show the farmers that their support pays dividends. Sig. Marcora's interruptions, carefully held back until the moment when other farm ministers are anxious to conclude the deal, were usually productive.

Most EEC farmers tend to vote for centre-right parties and their support certainly helps the conservative governments of Italy, France and the Netherlands (the farm vote is too *small* to *count heavily in* Britain. In Ireland, where one man in four is a farmer, it is not a contentious issue because everyone agrees the CAP is a good thing).

It would probably take more than a succession of price freezes and production quotas to throw most of these farmers into the arms of the opposition parties. But the CAP is rather like one of those dinners where everyone shares the bill so you might as well order lobster.

Political parties in some countries may grumble about the bill but in France and Ireland, all agree that the best minister is the one who grabs the biggest lobster.

*It gets more interesting where* the pattern is broken. For years Herr Josef Ertl, Germany's Farm Minister, has fought successfully for higher prices and foiled attempts to curb surplus milk production, in the face of strong opposition from fellow ministers in the socialist-Free Democrat (FDP) coalition Government.

His considerable strength in the Government derives from his apparent high standing with a handful of strategically placed farmers in Bavaria (a stronghold of the opposition Right-wing Christian Social *Union led by Herr Franz Josef* Strauss) and possibly a few more in Baden-Wurttemburg and Schleswig-Holstein.

Herr Ertl's policies undoubtedly have the farmers' approval but it is questionable whether they actually win many votes. Under the German system of proportional representation it is difficult to disprove the FDP's claim that they owe at least four seats to the farm vote. Four seats matter to a small party holding the balance of power in a coalition with a 10-seat majority. But returns from the last election show the party's support in Bavaria to be around 7 per cent, ranging from 11-12 per cent in *urban Munich to 3-4 per cent in* most of the rural areas.

Milk production is important in most EEC countries, accounting for an average 20 per cent of farm output. But faced with the growing strain this surplus puts on the Community budget (it swallows up nearly half) the resistence to reform would be much weaker among the other countries if the German Government changed sides. To have led the Council of Farm Ministers away from attempted reforms as often as Herr Ertl had done, on the basis of a 3 to 4 per cent vote, shows a rare *degree of political skill.*

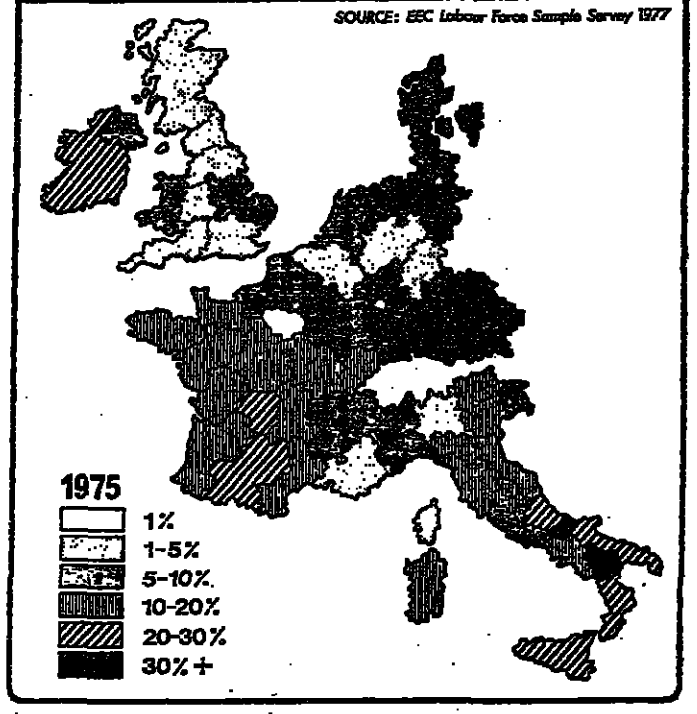
Even more curious, but perhaps more credible, is the French Government's willingness to risk an EEC crisis over its illegal restrictions on British lamb imports. To defy the European Court, inviting the public condemnation of all other EEC members, for barely 20,000 sheepfarmers who produce less than 2 per cent of the national farm output, appears absurd.

But the sheep farmers happen to be concentrated in 50 rural constituencies clustered in the Limousin—power base of M. Jacques Chirac, Gaullist leader and a strong rival to President Giscard d'Estaing within the governing coalition. Limousin is one of the few regions in France where farmers make up a quarter or more of the workforce, and an area where the Left has strong support. So for President Giscard not only to preserve the Government's hold on the area but also to maintain the balance in his coalition, the sheepfarmers could be crucial.

The CAP might be a useful asset to governments depending on the farm vote to prop up a fragile majority but few EEC governments are in this position. Moreover, the issues that win the crucial votes are often economically minor. Drastic reforms in the sugar and dairy sectors, which have the two biggest surpluses, or in cereals and beef, also a big drain on the EEC budget, would certainly cause severe hardships for thousands of farmers. With*out some form of extra social* security, many would be forced off the land. But to help them in this way would probably be cheaper than the present system, and more sensible if the Community's farm sector is ever to stand on unsubsidised feet. It is highly questionable whether a single EEC government would fall as a result.

PEOPLE EMPLOYED MAINLY IN AGRICULTURE

SOURCE: EEC Labour Force Sample Survey 1977




# W. German nuclear skills 'at risk'

By Roger Boyes in Bonn

WEST GERMANY is in iminent danger of losing highly skilled nuclear technicians because of the political stalemate over atomic power.

This warning has been issued by Dr. Manfred Lennings, chairman of the Gutehoffnungshuette (GHH) engineering group. He maintains that the dearth of domestic orders in the West German nuclear industry will sap the country's vital know-how and leave it ill-equipped to face the energy problems of the 1980s and 1990s.

Dr. Lennings' call comes at a time when the anti-nuclear Ecologist party seems to be gaining political strength. It has notched up several local election victories, the latest being in Baden Wuerttemberg where it won six seats in the state parliament.

This has raised the prospect—somewhat alarming for West German nuclear industrialists—of the Ecologists capturing 5 per cent of the vote at the October general election and *thus holding the balance of* power between the two major parties.

Although some progress has been made on the question of how to dispose of nuclear waste, a key sticking point in the commissioning of new power stations, there is still great political uncertainty surrounding atomic energy.

Partly as a result of this, the GHH subsidiary, GHH Sterkrade has not had a domestic order for five years and Kraftwerk Union (KWU) another important power station contructor, has only *just received* a domestic order after several barren years.

This, according to Dr. Lennings, has several disturbing implications for West Germany's future nuclear capacity:

- Some 150,000 workers and 700 companies are involved in the nuclear industry. Three quarters of the companies are small or medium-sized and face extinction or a switch to some other field. Once lost, these skills will be difficult to revive.
- But even the larger companies, such as GHH and KWU, are having serious problems. Dr. Lennings estimates it takes ten years (two production cycles) to create a skilled worker. With the current uncertainty, workers are moving away, thus imposing new training costs on the companies.
- The construction of a 1,300 MW nuclear power station creates 45,000 man-years worth of employment. The West German reactor industry has the capacity to turn out four to six stations a year. Thus the lack of orders is costing the economy between 200,000 and 250,000 jobs.
- The run-down in domestic orders has made the concerns less competitive in overseas business.

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EUROPEAN NEWS

# Euro-parliament may agree 5% farm price rise

BY WALTER ELLIS IN STRASBOURG

THE EUROPEAN Parliament, still groping its way towards a united policy on EEC farm prices, may agree today to support an overall price increase for 1980-81 of around 5 per cent.

This would be far above the 2.4 per cent figure sought by the European Commission and the parliament's own budget committee, but would still fall below the 7.9 per cent rise proposed by the Agriculture Committee and supported in broad outline by France and Ireland.

The 5 per cent figure was being discussed by members in the corridors yesterday, and it is thought the powerful Christian Democrat group may table a motion supporting a 5 per cent rise before the vote is taken.

Outside parliament, about 4,000 French farmers demonstrated against a small farm price increases and against British Government policies. The British flag was torn down and the Mayor of Strasbourg later apologised to British members for what one Tory described as a gross insult.

Inside parliament, British members protested loudly against any increase, but appear unlikely to succeed in keeping the parliament on the course it adopted last December, when it rejected the community's proposed budget, and aligned itself more closely with the Commission's position.

The result of today's vote will be placed before Ministers attending the Agriculture Council in Brussels. Britain's firm line on the issue is unlikely to receive a sympathetic hearing in Brussels, but would be helped considerably by a vote from Strasbourg in favour of 2.4 per cent.

The commission's proposal has given the UK line a considerable endorsement, and British MPs urged that there should be no deviation from its position.

Mrs. Barbara Castle, British Labour leader, demanded an overall 1 per cent decrease in prices, and spoke in favour of a "root and branch" reform of the Common Agricultural Policy.

She urged a freeze on prices generally and a cut in support for surplus products.

The Tories called for a freeze on prices of products in surplus and supported the commission's proposed "super levy" on surplus milk production.

Tough UK line, Page 31

# New move in lamb row

BY A. H. HERMANN, LEGAL CORRESPONDENT

FRANCE IS likely to get more time to comply with the European Court's lamb judgement. In his opinion, delivered yesterday, Advocate-General Francesco Capotorti concluded that the application for an interlocutory injunction presented by the EEC Commission on Monday should be dismissed.

The application was made by the Commission during its second action against France brought in January. In this, the Commission complained that France had not fulfilled its duties under the sheepmeat judgement handed down in September 1979.

The French defence has been that more time is needed to comply with the judgement, particularly as the Council of Ministers did not agree on any Community arrangement which would replace the French national marketing system.

Sr. Capotorti took the view that an injunction must not prejudge the merits of the cast. As the main French defence is that they need delay, a court order that France should comply with the first judgement immediately, would decide the main issue without proper argument.

If the court accepts the recommendation of the Advocate-General it will dismiss the application, probably this week.

As the Scottish judge, Lord Mackenzie Stuart, was appointed to act as judge rapporter in the bearing of this application, it seems possible that the President envisaged from the beginning a decision which would not please the British Government, and wanted to demonstrate that the court is quite impartial.

# Brezhnev, Kosygin fail to appear

By David Satter in Moscow

BOTH Mr. Leonid Brezhnev, the Soviet President, and Mr. Alexei Kosygin, the Prime Minister, unexpectedly failed to appear at the opening session of the Supreme Soviet of the Russian Federation yesterday. They were said to be "slightly indisposed."

As members of the Russian Supreme Soviet—the Parliament of the Soviet Union's largest republic—Mr. Brezhnev, 73, and Mr. Kosygin, 76, had been expected to attend the opening session of the newly-elected body as they have done on similar occasions in the past.

It is also believed that a ceremony at which Mr. Brezhnev was to have received a State prize on Monday was cancelled at the last moment, and that plans for an hour-long television broadcast, and publication of a speech by Mr. Brezhnev in Izvestia, the Government newspaper, had to be hastily changed.

Mr. Brezhnev has had recurrent health problems, and Mr. Kosygin suffered a severe heart attack last autumn, which kept him out of public view for more than four months.

Mr. Kosygin has put in only one working day since appearing in public on February 21 to deliver his election speech to a meeting of the voters he represents in the Russian Supreme Soviet.

Mr. Mikhail Suslov, 77, the chief party ideologist, was also absent from the Supreme Soviet meeting, as were Mr. Yuri Andropov, the chief of the Committee for State Security (KGB), Mr. Nikolai Tikhonov, the First Deputy Prime Minister, and Mr. Viktor Grishin, the Moscow party leader.

Mr. Andrei Kirilenko, who deputises for Mr. Brezhnev in party matters, was leading the Soviet delegation to the Hungarian Party Congress in Budapest, and could not attend the meeting.

But the surprisingly sparse attendance at the Supreme Soviet session appeared to reflect the increased willingness of the ageing Soviet Politburo members to dispense with ritual appearances.

Mr. Brezhnev, who has been out of public view for more than two weeks, and Mr. Kosygin both failed to attend a celebration meeting last May in the Bolshoi Theatre to mark International Women's Day.

# Martens cuts put coalition at risk

BY GILES MERRITT IN BRUSSELS

BELGIUM'S WORSENING economic position is facing M. Wilfried Martens', ten-months-old coalition with a testing parliamentary vote that could provoke a fresh political crisis. Government spending cuts aimed at reducing the snowballing state deficit are currently being scrutinised by Parliament, and the 2.2 per cent across-the-board cuts recently set out by M. Guy Spitaels, the Budget Minister, are to be voted on shortly by the Lower House.

Although the austerity measures will cut BFr 17bn (about £250m) out of Belgium's (1980 budget there are fears that the parliamentary vote will go against the Government.

Thanks to the redrawing of the coalition's membership during the last political crisis earlier this year, M. Martens no longer has the two-thirds parliamentary majority he needs. Furthermore, renewed problems inside his own party, the dominant Flemish CVP Social Christians, threaten him with defections that could bring down the Government.

The survival of Mr. Martens, however, may well be ensured by the growing recognition by political parties of the dangers to the economy that a new political crisis would entail. The Government is beset by speculation that it will be forced to devalue because of its serious balance of payments and budget deficits and by the sustained capital outflow now being reported by Belgian banks.

The Government yesterday confirmed that it is to increase further its level of foreign borrowing with a $1bn-plus Euro-credit at the end of April. Banking officials have indicated that the loan will involve much higher interest rates than expected.

It is understood that the new seven-year credit will offer three-eighths over Libor for the first two years, rising to one half for the remaining five years. The credit package is expected to be made up half in dollars, 30 per cent in Deutsche Marks and the remainder in Swiss francs.

Brussels bankers estimate, however, that with Belgium's foreign borrowing needs this year liable to be double the 1979 level, the Government will need to float an even larger foreign borrowing.

At the same time, it must first put forward its traditional mid-year domestic borrowing in June in the knowledge that its BFr 60bn January loan on the Belgian market was only subscribed to the tuneof BFr 3bn by institutions other than the main Belgian banks. There are increasingly strong suggestions that the state loan in June, the second of the three scheduled for the year, will need to be sold at a discount with a record coupon of up to 13 per cent.

# Finland revalues by 2%

By Lance Keyworth in Helsinki

THE BANK of Finland yesterday announced a 2 per cent revaluation of the Finnmark against the foreign currency index compiled from the 15 currencies most important for Finnish foreign trade.

This upward change in the Finnmark was made within the six-point adjustment band of the foreign currency index fixed by the Government in January this year. Yesterday's fixing for the pound was FM 8.450 and for the dollar, FM 3.850.

The Finnmark has been effectively revalued by 4.6 per cent within the past 12 months. The reasons given for the latest 2 per cent appreciation include the need to check imported inflation in the form of rising oil prices.

A strike yesterday hit the Finnish fleet of 10 ice-breakers, when the seamen's union refused to accept a compromise put forward by the State Arbitrator in the dispute over earnings for the next 12 months.

The ice breakers, all of which are fully employed in difficult winter navigation, will continue to assist the vessels they are already convoying, and will then return to the nearest port.

Many passenger-car ferries sailing the Baltic will be able to maintain services

# Netherlands eases credit controls

BY CHARLES BATCHELOR IN AMSTERDAM

THE DUTCH Government has decided to free consumer credit demand from the restraints imposed last year. The poor economic outlook for 1980 and the sluggish rate of growth in credit last year have removed fears of a credit explosion, the Economics Ministry said.

The controls will be allowed to lapse when they expire on April 1. Introduced a year ago, they limited consumer credit growth to 15 per cent a year. The curbs applied to consumer credits of up to Fl 40,000 (about £9,000) and excluded mortgage credit.

The slow-down in the rate of increase of personal earnings in recent years and the recently announced controls on wages have dampened demand for consumer credits. High interest rates have also deterred individuals from taking up credit.

The latest figures from the Central Statistics Office show that Fl 8.8bn (£1.95bn) worth of consumer credit, including mortgages, was granted in 1979 compared with Fl 9bn the year before. The net growth in outstanding credit during the year was 15.3 per cent to Fl 13.2bn compared with the 25 per cent growth rate during 1978.

The major Dutch banks reported varying experiences with the credit curbs. Nederlandse Credietbank said sluggish demand meant the limits were not reached while Amsterdam-Rotterdam bank had limited its credit growth.

The consumer credit controls were part of a two-pronged attack by the Dutch monetary authorities on the rapid expansion of money supply. Controls on the amount of bank lending which have been in force since 1977 have been continued

The Dutch central bank has limited bank lending which is not financed by long-term borrowing to only 7 per cent this year compared with 8 per cent in 1979. The main impact of the restriction has been to reduce the demand for mortgage credits.

# Hungary misses economic goals

BY PAUL LENDVAI IN BUDAPEST

HUNGARY has failed to react and adapt to the world energy crisis and to reach its economic targets, Mr. Gyoergy Lazar, Prime Minister, acknowledged at the Communist party congress yesterday.

The speech, which acknowledged criticisms from Mr. Janos Kadar, party leader, was one of the most self-critical ever made by a Hungarian Communist leader.

Mr. Lazar, an economist, admitted that current five-year plan targets for economic growth, productivity, real wages and other key indicators had not been fulfilled, and that the economy had not responded to the demands made of it.

Mr. Lazar said the government had failed to react in time to the energy crisis, and was too slow to adapt to changed circumstances.

After his speech, the Premier was congratulated by Mr. Kadar. Some observers doubted rumours that Mr. Lazar would be replaced as Premier after the general elections early in June.

Mr. Lazar warned delegates that profound economic and social changes were necessary to cope with difficult economic tasks.

He admitted the government should shoulder greater responsibility for the shortcomings of the past and the present.

"It was an error to believe that a greater degree of protection for enterprises would help to offset imported inflation. The exaggerated protection of domestic companies failed to force the industry to be more competitive," he said.

Greater enterprise, autonomy and greater scope for able managers were necessary to adapt the economy to the quickly-changing conditions in the world

# Turkish current account warning

By Metin Munir in Ankara

TURKEY'S CURRENT account deficit could be as high as $2.6bn this year, twice as high as last year's, according to a report, as yet unpublished, by the Organisation for Economic Co-operation and Development.

The Government, it says, will be forced to increase imports to alleviate the supply shortages which have been strangling the economy since 1977 when the Turkish economic crisis started. Since 1977, the volume of imports has fallen by 50 per cent and buffer stocks of oil and industrial supplies have been largely depleted.

Turkey's terms of trade have worsened, principally because the price of oil has more than doubled in the past two years, the report continues. Service payments on the foreign debt will increase sharply because of rising interest rates.

The OECD estimates that Turkey's total import bill could be $7.6bn this year.

"By contrast, exports are not likely to respond quickly to the stimulus given by the devaluation (last January), apart from some running down of agricultural stocks, while the increase in workers' remittances will depend principally on the return of confidence in economic stability."

The report supports Prime Minister Suleyman Demirel's economic policies, calling them "a realistic attempt at dealing with a difficult situation." The programme "would seem to deserve the support of the OECD countries, and it is only with such support that it is likely to succeed."

OECD members meet in Paris today to announce the amount of money they intend to put up to back this programme. Last year some $900m was pledged; this year Ankara expects a commitment of $1.2bn-$1.7bn.

Reuter adds: Turkey today raised the prices of petrol and other oil-based fuels by between 2.5 per cent and 12.5 per cent.

## Norway pay talks

Negotiations between Norwegian unions and employers about a long-term wage settlement broke down when the union side rejected an offer by the employers' association of 5 per cent. Fay Gjester reports from Oslo. The Government arbitrator has been called in.


# ENERGY BLUEPRINT No 7

PLANNED EFFICIENCY AND ECONOMY IN THE USE OF ELECTRICITY

# School's heat pumps teach vital energy lessons

Back to school could well be the best message for anyone currently involved in designing buildings. More precisely, back to Roach Vale Primary School, Colchester, recipient recently of a RIBA commendation for good design. The scheme itself, tailored round five heat pumps, may be only small in scale, but it is an excellent model for learning about the advantages of an overall approach to environmental design in all types of buildings.

Central to the school's controlled environment are the five heat pumps which provide year-round heating, ventilating and cooling. In winter, the heat pumps use the outside air as the heat source, even when temperatures are quite low. Their output is supplemented by using heat from the warm exhaust air of the building, which is passed over the outside coil of one of the heat pumps. In summer, the occupants are kept comfortable by ventilating the building and, in very hot conditions, the heat pumps can be used to provide additional cooling.

## Modular Design

But the equipment is only half the story. Just as important was the careful consideration given to design of the structure in which it operates. A modular method of building (MCB) is used, purpose-designed by Essex County Council in conjunction with consulting engineers Chamberlain and Partners. This emphasises the importance of heavy insulation for roof and walls, doors with draught lobbies, and sealed windows.

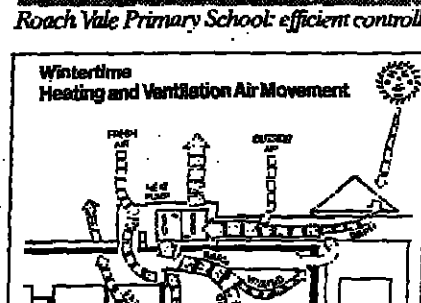
For it is only in a structure itself designed for energy efficiency that an efficient, economic and controllable environment can be created.

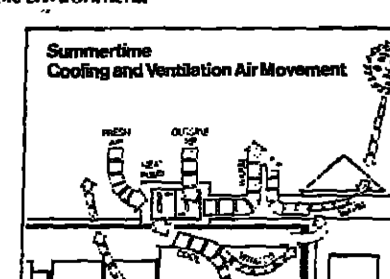
But Roach Vale is only a stage in the process of learning from succeeding stages of design development. And now that reduction of energy consumption is a real concern, the implications of that process extend far beyond schools into buildings of all types and sizes.

In energy matters, industry and commerce can no longer afford to spend indiscriminately – and re-education often starts with small pioneering projects like Roach Vale.

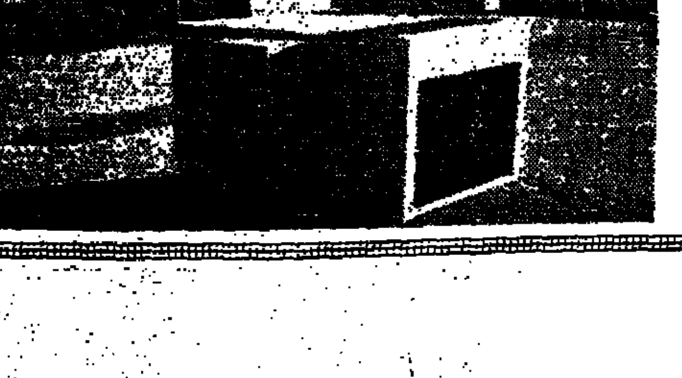
*For more information tick box No.1.*

Roach Vale Primary School: efficient controllable environment.




# Heat pumps–the energy savers



Heat pumps. What are they? What do they do? The title page of a new booklet from the Electricity Council gives the short and simple answer: *the energy savers.*

Saving energy is what the heat pump is all about. In installations throughout the country – offices, shops, banks, schools, social clubs, restaurants – big economies are being made.

Of course, the needs of such a variety of premises are bound to be varied. But heat pumps are readily available in sizes suitable for most situations where a controlled environment is required all year round. For a copy of the heat pump booklet tick box No. 1.

# Office face-lift brings 50 per cent savings

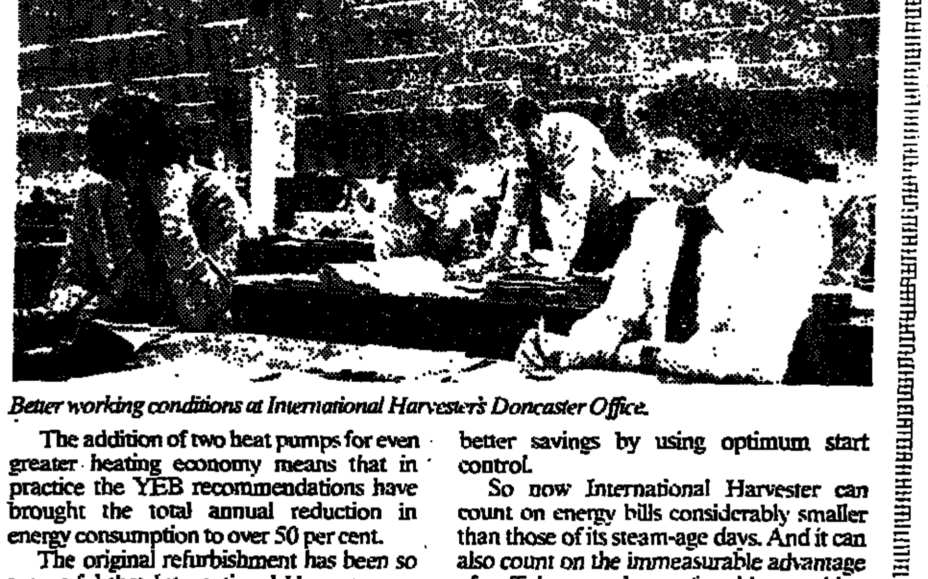
Annual energy savings of well over 50 per cent and a greatly improved working environment—these are the results of comprehensive improvements to an 1860m² office area at the International Harvester Corporation in Doncaster. Modernisation in four areas—lighting, heating, cooling and insulation—has brought the office right up to date.

It is true to say that before the changes the single-storey office was virtually a relic of the steam age – its principal heat source was an antiquated underfloor steam system. In winter this struggled unsuccessfully to combat cold down-draughts from the abundance of roof lights. In summer the same glazing caused significant overheating, which could only be remedied by the simple but haphazard expedient of opening doors and windows. So everyone suffered – the office staff physically, and the company financially, with the regular arrival of large fuel bills.

## Action

In its modernisation suggestions the Yorkshire Electricity Board looked at all areas affecting energy expenditure together and identified four main areas for action:

1. A new false ceiling was necessary over the whole office, to be used as a return airplenum with airhandling light fittings.
2. Efficient roof insulation needed to cut seasonal heat loss or gain.
3. Lighting levels were to be upgraded in line with the IES Code standards.
4. Air conditioning–essential for summer comfort and proper air distribution.



Better working conditions at International Harvester's Doncaster Office.

The addition of two heat pumps for even greater heating economy means that in practice the YEB recommendations have brought the total annual reduction in energy consumption to over 50 per cent.

The original refurbishment has been so successful that International Harvester are now adopting the same principles in modernising other offices on the same site. In the latest case they are obtaining even better savings by using optimum start control.

So now International Harvester can count on energy bills considerably smaller than those of its steam-age days. And it can also count on the immeasurable advantage of efficient and comfortable working conditions.

*For more information tick box No.2.*

# Electric boost for hotel trade

Winter holidays, once seen as a continental luxury, are now an area of considerable growth potential in the British hotel trade. And at the Madeira Hotel, Falmouth, this potential is now being realised with the help of a recent electric modernisation programme. For under £5,000, the new electric system is being used to supplement an existing oil-fired boiler, to provide a warm and welcome addition for management and winter visitors alike. It makes use of electricity for both heating and hot water needs, while keeping installation and operating costs to a minimum.

The seafront hotel, originally five turn-of-the-century houses, is open all the year round and accommodates over 90 guests. Its owners at first considered installing a larger oil-fired boiler, but capital costs and the expensive replumbing necessary weighed against it. The basic existing oil-fired system supplied heating to the ground floor and hot water to a few of the bedrooms.

Electric equipment could have been used in a variety of ways to supplement this. In the end electric panel heaters with integral thermostatic control were chosen for heating 42 of the 49 bedrooms. These cut waste because they are used primarily when the rooms are occupied, leaving guests free on arrival to choose the room temperature that suits them best. Heating on the landings also has thermostatic output control; in this case using storage fan heaters.

## Flexible

The same flexible approach has been applied to meeting the hot water requirements for new shower installations. For the second floor bedrooms 13 electric instantaneous units ensure that energy use is cut right down to the time it takes to have a shower. For the more continuously used first floor bedrooms, water for showers and baths not supplied by the existing system is provided by off-peak electric heaters in well-insulated storage cylinders. The hotel owners were particularly satisfied by the reduced amount of pipework needed, and the low operating costs achieved.

Manager Mr Turner was pleased with the way the heating coped even on the coldest days – no boost at all had been needed. When unoccupied, the rooms had been kept aired with the heaters on a lower setting, thus providing the guests with a warm welcome through the whole winter. Annual operating costs for 1978/79 including the cost of lighting, TV, etc, came to just under £4,000.

*For more information tick box No.3.*

Please send me copies of leaflets/information on the following topics. Please tick as appropriate (U.K. only)

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INTEGRATING RHODESIA'S ARMY

# Troops set to flood labour market

BY QUENTIN PEEL IN SALISBURY

CANCELLATION of conscription and phasing-out of annual military call-up, announced on Tuesday by Rhodesia's combined operations command, is the most tangible evidence Rhodesians have had that their seven-year-old guerrilla war is over.

The decision should have an immediate effect on most sectors of the economy, where lack of skilled labour, despite an acceleration in black training, has been a critical bottleneck to economic recovery.

The call-up commitments of Rhodesian whites, who have hitherto filled the vast majority of skilled jobs, have been cut immediately by four-fifths—from five months to 30 days, or 10 weeks to a fortnight, depending on age—and many will now only be on stand-by.

From a position of skill shortage, Rhodesian industry may suddenly face an embarrassing, if temporary, skill surplus.

In military terms, the decision is a major step in transforming the security forces from being white-dominated and largely territorial, to being an integrated permanent force drawn from the regular Rhodesian ranks and the guerrilla armies of the Patriotic Front. The problems of war may be over, but the problems of demobilisation and integration are just beginning.

The integration of the armies—Rhodesian regulars, Mr. Robert Mugabe's ZANLA forces, and Mr. Joshua Nkomo's ZIPRA forces—is potentially the most explosive part of the transition leading to independence.

Under the command of Lieutenant-General Peter Walls, the process has been under way since before the election which gave Mr. Mugabe his landslide victory.

Now a virtually total news blackout has been imposed on details of progress, and the 12 assembly points occupied by guerrilla forces have been placed out o fbounds to the Press.

Nevertheless, there has been progress. The first 600 ZANLA and 650 ZIPRA guerrillas taken for regular training by British and Rhodesian instructors at separate camps at Essexvale and Rathgar, have been transferred to new bases outside Bulawayo—Llewellyn Barracks and Balla Balla—where they are being trained in integrated units.

Given their different tribal backgrounds—ZANLA are overwhelmingly drawn from the majority Shona tribe and ZIPRA from the minority Ndebele—the step is a crucial move towards final integration.

The process is being organised by an integration committee chaired by Gen. Walls, the Rhodesian Supreme Commander, and including the commanders of the two guerrilla armies.

A series of sub-committees has been set up to deal with the major problems: organising the return of guerrillas still outside the country and those still outside guerrilla camps; administration and logistics; training, and demobilisation.

The most immediate problem is what to do about forces still in camps in neighbouring countries, principally Zambia and Mozambique, although some ZIPRA men are in Angola, and some ZANLA troops are in Tanzania and the Soviet Union.

The largest number belong to ZIPRA, estimated at some 7,000 in Zambia alone, whereas ZANLA has only about 4,000-6,000 in Mozambique.

Gen. Peter Walls

However, there are signs of considerable ZIPRA disaffection with the whole process.

Military sources also report greater problems in training ZIPRA units than with ZANLA. This is apparently because the ZIPRA forces are already trained as regular soldiers, formed in regular military units, and resentful of receiving a basic retraining.

The ZANLA forces, on the other hand, are traditional irregular guerrillas, and more willing to undergo "square-bashing." The ZANLA troops are also volunteers, whereas the ZIPRA men were ordered to go by their commanders.

A considerable number of regular forces could take advantage of an attractive incentive scheme, providing them with a freely-remittable cash bonus, and resign. Many of the guerrillas may also wish to return to civilian life, although they do not have the incentive of definite jobs to go to.

The 20,000-strong auxiliaries formed by Bishop Muzorewa are also likely to be largely disbanded, although the process cannot be too fast for fear of flooding the labour market.

But members of the regular police, who will return to ordinary law enforcement duties and no longer be under combined operations command, may be offered further incentives to stay on.

In spite of the gradual pick-up of the economy, finding jobs for the demobilised men is likely to be a problem. Moreover, the cancellation of national service means that next December, the numbers of school-leavers entering the labour market will be doubled.

By then though, there are hopes of an appreciable economic recovery.

# PLO seeks emergency UN meeting

By Ihsan Hijazi in Beirut

THE PALESTINE Liberation Oragnisation has begun moves for holding an emergency meeting of the United Nations Security Council, in retaliation for the decision by Israel to settle Jews in the West Bank Arab town of Hebron, and growing support by the Carter Administration for the Jewish state.

The aim is believed to be to get the world body to adopt a resolution in favour of Palestinian national rights, including the right to an independent Palestinian state.

Mr. Zehdi Terzi, PLO observer at the UN, is said to have been given instructions by Mr. Yassir Arafat, chairman of the PLO, to co-ordinate with Arab ambassadors in New York on the proposed session of the Security Council.

Palestinian organisations have called for a strike in the West Bank and Gaza on March 30, the Arab "Land Day," in Israeli-occupied territory.

PLO officials and Arab diplomats said the Israeli move on Hebron was an outright challenge to the resolution adopted by the Security Council early this month.

Palestinian officials believe they can see growing U.S. support for Israel as President Carter's election campaign gains momentum.

A speech in New York on Monday by Mr. Walter Mondale, the Vice-President, was seen by the Palestinians here as a climax to what they called "American sell-out to Israel."

# Half BP's contract with Kuwait to be at premium

BY LESLIE DE QUILLACQ IN KUWAIT AND PATRICK COCKBURN IN LONDON

KUWAIT'S NEW contracts with British Petroleum, Gulf and Shell will give the country the right to change prices and contract quantities according to market conditions, Sheikh Ali Khalifa al-Sabah, Kuwaiti Oil Minister, said yesterday.

Such changes come under the force majeure clause, which "applies to everything" he said, including changes in Kuwaiti Government policy.

So far, only British Petroleum has signed a new contract. This cuts BP's purchases of crude oil in Kuwait to 150,000 barrels a day, only one-third of the volume allowed under a previous agreement, which expires on April 1.

This contract is divided into two parts, Sheikh Ali Khalifa said.

There is a "basic contract," valid for two-and-a-half years for 75,000 b/d at the official OPEC price, as interpreted by Kuwait. A supplemental contract for the other 75,000 b/d is for only one year and carries a premium price. Sheikh Ali Khalifa denied that this was linked to the spot price.

The "basic contracts" for Gulf and Shell, to be signed within the next few days, will also be for 75,000 b/d, Sheikh Ali Khalifa added, but their supplemental volumes may differ from BP's. Gulf's present contract is for 500,000 b/d and Shell's is for 360,000 b/d.

Kuwait is also to supply France with 85,000 b/d of crude oil via Compagnie Francaise des Petroles (CFP) and Elf/Aquitaine, the French oil companies.

A letter of intent on the supply of Kuwaiti crude to France was signed during President Giscard d'Estaing's visit at the beginning of March and the oil companies were left to work out the details.

This agreement will help France compensate for reductions in the oil supplied by BP and Shell. From April 1 Kuwait will cut its production 25 per cent to 1.5m b/d, and would apparently be prepared to go lower if necessary.

The premium prices which Kuwait has been able to obtain shows an underlying strength in the crude oil market when long-term security of supplies is obtainable.

# Israel spurns settlements call

BY DAVID LENNON IN TEL AVIV

ISRAEL yesterday rejected an American request that it freeze settlement activity in the occupied Arab territories at least until the May 26 target date for completing negotiations on Palestinian autonomy.

Mr. Sol Linowitz, President Carter's special Middle East envoy, reported he had made the request during three days of talks with Mr. Menachem Begin, the Israeli Prime Minister. But Mr. Begin rejected the request, re-stating his position that Jews have the right to settle anywhere in what he termed the Land of Israel.

Palestinians on the West Bank held a one-day strike yesterday in protest at the Israeli Cabinet's decision to settle Jews in Hebron, the second largest Arab town on the West Bank.

At Bir Zeit College near Ramallah, West Bank students clashed with Israeli soldiers during a demonstration against the decision to open a Jewish theological seminary in Hebron, and close down a new Arab College at Abu Dis.

Mr. Linowitz, whose discussions with Mr. Begin were aimed at breaking the deadlock in the Palestinian autonomy talks, said that the Hebron decision and all Israeli settlements in the occupied territories "constitute a hurdle in the negotiations."

It was not immediately clear how much success he had in the talks, which are also part of U.S. preparations for President Carter's forthcoming meetings in Washington with Mr. Begin and President Sadat of Egypt.

It is understood that the Israeli leader rejected the U.S. suggestion that early talks be held about security arrangements for the planned Palestinian autonomous region.

# Sadat defies the anger of Iran

BY ROGER MATTHEWS IN CAIRO

THE IRANIAN régime could shout "until the end of the world," but it would have no effect on Egypt's principled Islamic stance in offering refuge to the deposed Shah of Iran, President Anwar Sadat declared yesterday.

After visiting the Shah briefly at the Maadi Military Hospital, south of Cairo, Mr. Sadat mocked the demonstrations in Iran calling for the return of the former monarch. Ayatollah Khomeini, Iran's religious leader, was preaching vengeance and hatred, Mr. Sadat declared. This was "not the real Islam."

"I am a Moslem, a true Moslem," said the Egyptian President. "And that is why the Shah will be living here with his family among us."

President Sadat discounted any suggestions that the Shah might eventually leave Egypt. "Believe me, if he tried not to accept, I shall force it on him."

A former aide of President Sadat said yesterday that he believed the President's motives in welcoming the Shah were rather more complex than he had stated.

First, the situation allowed Mr. Sadat again to present himself as a man of a principle, especially in international relations.

This was particularly important at a time when critical negotiations were approaching in Washington over the future of the 1.1m Palestinians living on the Israeli-occupied West Bank and Gaza Strip.

It also served as a contrast to what Mr. Sadat sees as an essentially weak American foreign policy and, the "unprincipled and self-serving" policies of the French, especially in regard to President Giscard d'Estaing's recent tour of the Middle East.

Secondly, President Sadat sincerely believes, his former aide said, that the image of Islam had suffered a major setback because of the Iranian Revolution. Mr. Sadat wishes to reverse this impression by demonstrating that Islam is a compassionate religion, not based on vengeance or violence.

**Mr. Sadegh Qotbzadeh, Iran's Foreign Minister, yesterday described the Shah's flight to Egypt as a moral victory for Iran but a setback for the 50 hostages at the U.S. Embassy, Simon Henderson writes from Tehran. However, Iran would not be seeking the Shah's extradition from Egypt, Mr. Qotbzadeh added. He was speaking after a demonstration outside the embassy by 50,000 people—the biggest for some time—against the Shah and the U.S. The demonstration may represent a return of the militant students to the mainstream of Iranian political life.**

Thirdly, Mr. Sadat, having backed the peace initiative to the hilt, felt he had little to lose vis-à-vis the rest of the Middle East world.

Almost all Arab nations have severed diplomatic and economic relations with Egypt and, according to Mr. Sadat's philosophy, it is they who are isolated and who will eventually be forced to seek a rapprochement with the Cairo Government.

Fourth, there was Mr. Sadat's own chracter.

"This man does not have doubts," said his former aide. "He believes implicitly in the correctness of his own decisions and the greatness of his country. The more he is criticised, especially by regimes he despises, the more he will act in a way that to others might seem reckless.

"In his present mood, he does not mind who he antagonises, but with the very important qualification that they should not be in a position to affect seriously his own presidency and therefore Egypt's stability."

It was also pointed out that in domestic affairs the President is always prepared to trim his sails at the first hint of more serious opposition to any particular measure, especially on economic issues.

This was stressed yesterday in Cairo by President Sadat's critics, who argued that he was mainly motivated by the realisation that he is in effect the U.S.'s chosen successor to the Shah in the Middle East.

"He is merely trying to protect himself," said one political leader.

Meanwhile, Mr. Sadat announced that he had been in contact with American and French doctors who had treated the Shah in Panama and he expected that they would be arriving in Egypt shortly.

# 'Blockade' causes Assam tension

BY D. P. KUMAR IN NEW DELHI AND P. C. MAHANTI IN CALCUTTA

AN "ECONOMIC BLOCKADE" of Assam, launched on Monday by the Bengal leaders of Mrs. Gandhi's ruling Congress Party, has introduced new tension in this north eastern state which has been paralysed by a six-month-long agitation.

Police arrested more than 300 members of the youth wing of the Congress Party as they blocked trains and lorries carrying supplies to Assam and other strategically placed north-eastern states near India's borders with China and Burma.

The Bengali students were protesting against alleged attacks by militant nationalists in Assam on refugees from Bangladesh and West Bengal living in Assam. Some 4m Bengalis (mostly from Bangladesh) are said to have fled to the state, creating an acute unemployment problem.

Assamese students have been demanding eviction of the Bengalis in an agitation that has grown increasingly violent since it began in October. The students also launched a series of strikes to get the Bengalis removed from the electoral rolls which resulted in polling for January's general election being indefinitely postponed for 12 of the state's 14 seats in the Parliament.

State leaders fear that continuing disturbances could result in increasingly explosive communal violence. A state-wide general strike has been called for today in Assam. The Youth Congress is threatening to respond with a strike in North Bengal.

Communal issues have become entangled with national politics as Mr. Jyoti Basu, the Chief Minister of West Bengal's Marxist Government, has accused Mrs. Gandhi of encouraging disturbances in the state as an excuse to dissolve his administration and replace it with one subservient to New Delhi.

West Bengal is the largest state held by the Marxists and the one most strongly resisting tighter federal control.

Mrs. Gandhi has, however, voiced public disapproval of the Youth Congress action and sought to mediate in the crisis. But she and Assamese leaders have failed to agree on criteria for deporting the non-Assamese, a majority of whom have lined up politically behind her.


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The register of members of the company will be closed from 12 April 1980 to 20 April 1980, both days inclusive

The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 28 April 1980 or on the first day thereafter on which a rate of exchange is available.

In the case of non-resident shareholders, tax of 15 per cent will be deducted.

Dividend warrants will be posted on or about 6 May 1980

The full conditions of payment may be inspected at the head office or the offices of the transfer secretaries of the company.

By order of the board
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London Secretaries
per L. J. Baines

United Kingdom Transfer Secretaries:
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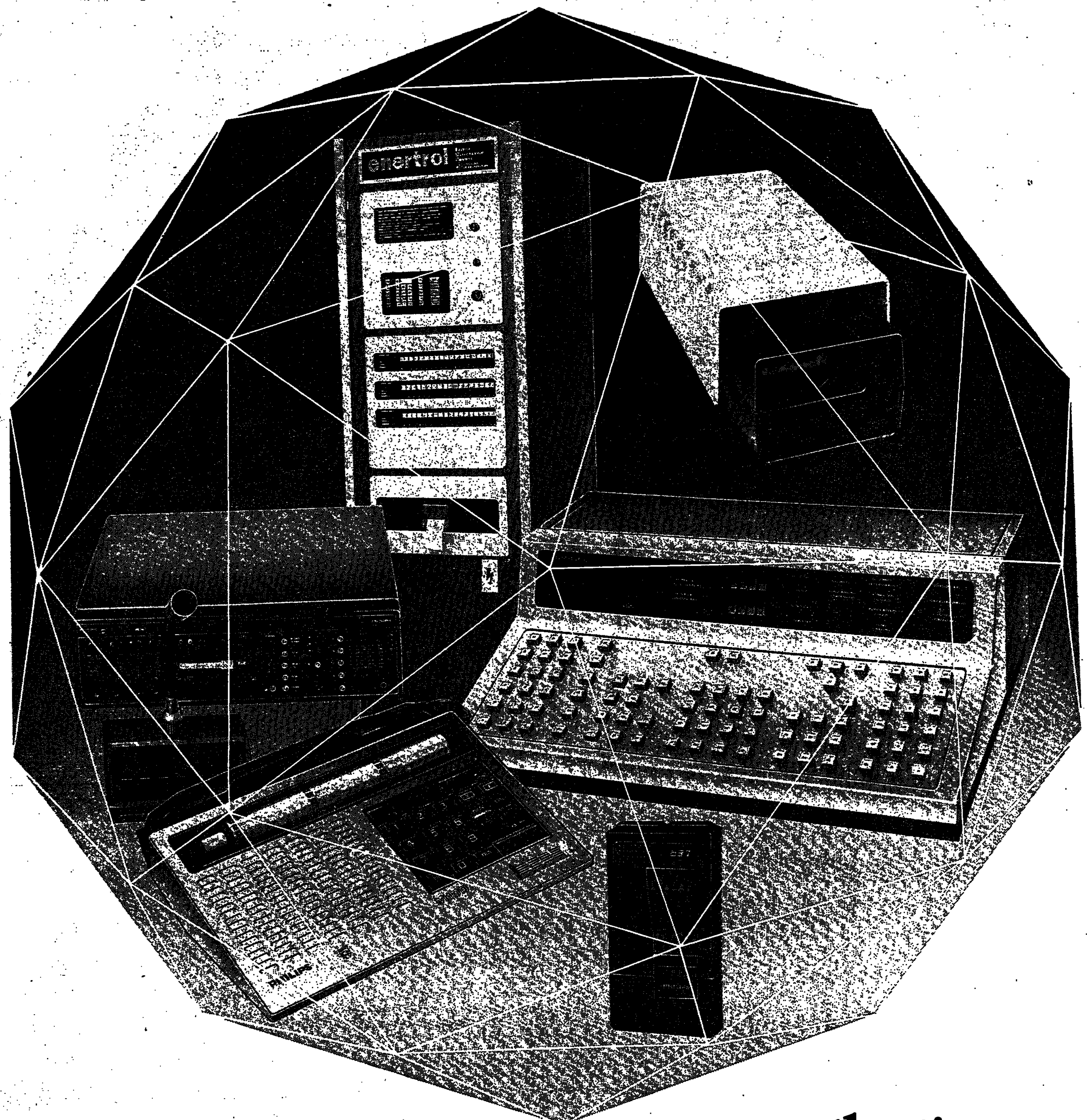


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# Congress may delay action on budget

BY DAVID BUCHAN IN WASHINGTON

THE STRONG bipartisan push on Capitol Hill for balancing the Federal budget that emerged in the immediate wake *of the Carter economic package* is slowing, and Congress appears unlikely to take concrete budget action until after *the Easter recess.*

The legislature will then be able to take up cudgels on the detailed re-vamping of the 1980-1981 budget which President Carter is due to unveil at the end of this month. So far he has only announced his intention to pare \$13¾bn from his initial budget proposals in January.

The bipartisan coalition for sweeping spending cuts has thus far only manifested itself in last week's action of the House Budget Committee when middle-of-the-road Democrats and Republicans joined together to lop \$16bn off the 1980-81 budget. Yesterday it became clear there was only a slim chance of this resolution succeeding on the House floor, as the Republican leadership *has had second thoughts about* backing the Democratic leadership with general elections fast approaching.

*At the same time, the Senate has embarked this week on a* certain amount of preliminary skirmishing on budget matters. It started yesterday to debate a proposal by Senator William Roth that would tie Federal spending to 21 per cent of the gross national product. A more moderate resolution, tabled by the Democratic leadership and which only requires Congress to balance the budget, is thought to have more chance of success.

The Administration, as it considers how to get its new budget through Congress, is in something of a dilemma. It can advocate the sort of stringent budget package—with deep cuts in social programmes and little or no paring of the defence budget—which may yet win Republican backing. This *would, however, almost guarantee* a possibly damaging split with the liberal wing of the Democratic Party.

If, on the other hand, the Administration seeks to maintain a facade of party unity in this year of Presidential and *Congressional Elections, it may* end up with a budget that does little to convince the financial markets and the electorate that *it is serious in curbing inflation.*

# N-plant supplier sued for \$500m

BY IAN HARGREAVES IN NEW YORK

GENERAL Public Utilities, which owns the stricken Three Mile Island nuclear power station, is sueing the contractor *which supplied the nuclear* steam generating system for more than \$500m.

The Pennsylvania Power Company charges in its suit that Babcock and Wilcox (unrelated to the British company of the same name), a subsidiary of J. Ray McDermott, was guilty of "gross negligence, strict liability for equipment failure, intentional breach of contract and breach of express and implied warranties."

In effect Babcock is accused of failing to pass on to operating staff at Three Mile Island *information the company had* gathered as a result of a previous accident at a Babcock-designed plant.

GPU also suggested yesterday that its damages claim would eventually be much higher than \$500m, as no official estimates of the cost of cleaning up the power station or loss of revenue to GPU as a result of the shutdown of its two installations at Three Mile Island are yet available.

J. Ray McDermott said it would comment later on the suit, which is certain to prove a test case of liability in the nuclear industry. In addition to Three Mile Island, there are seven nuclear power stations of a similar Babcock design in the U.S. out of a total of 67 licensed stations countrywide.

*Since Three Mile Island there* has been a string of announcements from power utilities of plans to scale down or scrap previously announced proposals for additional nuclear facilities.

The GPU suit yesterday bases its allegations upon the company's own investigations and the findings of various official inquiries into the causes of the accident.

GPU also claims that Babcock's own *documents show* that the contractor knew from an accident one year earlier at the Davis-Besse plant of Toledo Edison about the shortcomings of its operator training procedures in respect of an accident involving loss of coolant.

# Bethlehem Steel rejects dumping action

BY OUR NEW YORK STAFF

BETHLEHEM STEEL, the second largest steelmaker in the U.S., does not intend to *follow the example of U.S. Steel,* the industry leader, in filing anti-dumping petitions against steel importers.

*In an announcement which* increases the isolation of U.S. Steel, Mr. Lewis Foy, chairman of Bethlehem, sad that although *his company remained prepared* to file such cases, it hoped a solution could be quickly reached which would result in a *restored* and strengthened trigger price mechanism.

Mr. Foy's statement is important not just because of *the size of Bethlehem,* but because he is chairman of the American Iron and Steel Institute, which has attempted to *present a united front* on the steel imports issue in spite of U.S. Steel's impatience.

The trigger price system, used *to set minimum prices on* imported steel, was suspended last week by the Commerce Depatment because it says it cannot operate the system at the same time as pursuing the dumping cases.

Evidence that steel producers other than U.S. Steel are uniting behind a push to restore the trigger mechanism has also been added to by a decision to support this course by the steel caucus in Congress.

This group of 150 Congressmen from steel producing States is drafting a letter to President Carter, warning that it will seek action in Congress to restore the mechanism if the Administration refuses to act.

It is generally felt in the steel industry that the Administration's either-or policy on the trigger price and dumping *is* unnecessarily stringent, although Administration officials have publicised their view on this question for over a year.

Earlier this week U.S. Steel, which last week filed anti-dumping petitions against seven European steel importers, said it still planned to go ahead with other petitions against Japanese producers.

# Murder of Salvador archbishop could fuel more political violence

BY WILLIAM CHISLETT IN MEXICO CITY

THE MURDER of Archbishop Oscar Arnulfo Romero has left El Salvador, a country rapidly deteriorating into civil war, without a voice of moderation.

In an acutely polarised society, his death has given the Left a martyr and shown the lengths to which the extreme Right is prepared to go. The two sides can be expected to step up their violence as they battle for supremacy.

The Archbishop was shot dead on Monday night while he was celebrating a funeral mass

He was an outspoken critic of the Government who championed the cause of the non-violent Left in its struggle for reforms of what he viewed as a profoundly unjust society. For this reason he became the bete-noire of the extreme Right and had recievd many death threats. He never sought protection. A few weeks ago a powerful bomb was discovered behind the altar of San Salvador cathedral just before he was to say mass.

The extreme Left may take the Archbishop's death as a formal declaration of war, although in effect the country has been in the throes of civil war since the conservative dictatorship of Gen. Carlos Humberto Romero was overthrown in October by reformist-minded officers.

Since then, hundreds of people, mainly students and peasants, have been killed in politically motivated acts of violence, most of them by the extreme Right acting in collusion with hardliners in the armed forces and rich land-owning families.

Their aim is to undermine the junta which replaced the *Romero dictatorship and which,* under U.S. pressure, is trying to defuse the situation by passing reforms.

On the day *earlier this month* that the junta decreed land reform and nationalised the banks—two of the grievances *exploited by the extreme Left*—the Archbishop told me that peace would never come to El Salvador until the junta cleaned up the *country's paramilitary* forces.

America's troublesome isthmus, Page 19

# U.S.-UK tax treaty exchanged despite unsettled issue

BY DAVID LASCELLES IN NEW YORK

AFTER MORE than five years of tough, even acrimonious negotiations, the UK and the *U.S. finally exchanged* the instruments of their new tax treaty yesterday. But one of the main bones of contention between the two countries—taxation by individual U.S. states of the overseas earnings of corporations—has still to be settled to everyone's satisfaction. Indeed, Britain went out of its way at yesterday's ceremony to make this point.

*The whole issue of state* taxation is very likely to be aired thoroughly in the coming months. No fewer than four *bills have been introduced* into Congress to sort the matter out, and the House Ways and Means Committee is due to open hearings *on the first of* them later this month.

There are two points at issue, one general and one specific. *The first is whether an individual* state can tax companies' earnings on the basis of their worldwide operations, and not simply their operations within *its borders. If worldwide* engineering company XYZ has only a small factory in state ABC, should it pay tax to ABC as a proportion of worldwide earnings, or just on earnings *from its small factory in the* state?

*The second point is* an extension of this: Should states be allowed to tax a company on the basis of its worldwide earnings, *even if that company is foreign-*owned and based abroad?

Some 36 states think they have the right to tax on what they call a "unitary basis," which means taking into account a company's entire earnings from its principal or "unitary *business," wherever they are* derived, and apportioning a part of them for local taxation. This usually involves taking a *company's Federal tax returns, and* applying various formulas to determine what the state "take"

Of these states, about a dozen, mainly in the west, claim the *right to tax foreign companies* in this way too, a process known as "worldwide combination."

The remaining states tax only that *portion of earnings which* is directly attributable to local operations, a practice which is not at issue.

*The haggling over the UK-U.S.* tax treaty centred on U.S. insistence that the states' right to tax on a unitary basis be *recognised. In the end, the UK* agreed, but only *after* the U.S. included new provisions which brought compensating extra *revenue to the UK.*

Only last week, though, a major test case went to the Supreme Court and produced a *judgement which affirmed states'* rights to tax dividends that U.S. parent companies receive from their foreign subsidiaries. Since *most multinationals garner their* overseas profits in this way, the judgment effectively brought all U.S. foreign corporate earnings into the state tax net.

The case involved Mobil, the large oil company, and Vermont, one of the few east coast states which claims this right. The *Vermont tax authorities used* Mobil's Federal tax return to calculate how much state tax it owed, even though that return *included Mobil's immense* worldwide operations, which had nothing to do with its relatively tiny business in Vermont.

Mobil objected, and took the case to the Supreme Court, but lost by six justices to one. (The one dissenting judge ruled that *Mobil had successfully* demonstrated that its foreign business was not a "unitary" part of its local business, and that *Vermont had over-assessed* the company's tax liability by as much as ten times.)

But though the court thus upheld a state's right to levy this kind of tax, the justices dropped a strong hint in their judgment that this was a matter needing legislative action from Congress. The justices also declined to say how a state should calculate the amount of tax due, the so-called "apportionment." Because of this, *Mobil is widely expected to* come back to challenge Vermont's apportionment formula. Several similar cases are pend*ing in the Supreme or state* courts involving Exxon, Asarco, Firestone, U.S. Steel and others.

*In the meantime, though, the* House Ways and Means Committee will, on March 31, open hearings on Bill No. HR 5076, *which* would establish at a Federal level how far individual states can go in taxing foreign corporate income. The Bill was first introduced last August, and it has quite a strong following *on the* committee, though that is not to say it will pass. In its present form, it would end the "worldwide combination" practice and oblige states to follow Federal practice on unitary taxation. It would not, therefore, abolish *states' rights to tax foreign* source dividends, but would define those rights on a nationwide basis.

A whole range of *individuals* and organisations, U.S. and foreign, are expected to testify in favour of the Bill. Most of *them will be U.S. corporations.* But the British-American Chamber of Commerce, the Confederation of British *Industry and the British Govern*ment will also make their views known, as will individual companies like British-*American Tobacco. Because the* committee bars testimony by foreign nationals, they will have to be represented by *American lawyers.*

However, the Bill's sup*porters will have to contend* with a vigorous counter-lobby from organisations like the Multistate Tax Commission, a *grouping of mostly Western* states, which has threatened to challenge the constitutionality of HR 5076 if it is enacted (*even though the Supreme* Court implied in its Mobil judgment that Congress should clarify state taxation rights).

*The commission sees itself as* a champion of state taxation rights, but it specifically defends unitary taxation because it believes it is the only way states can prevent large corporations from avoiding tax by shifting profits through their myriad subsidiaries—the "corporate shell game," as the commission calls it. The commission is also concerned about potential loss of revenue should the Bill be enacted.

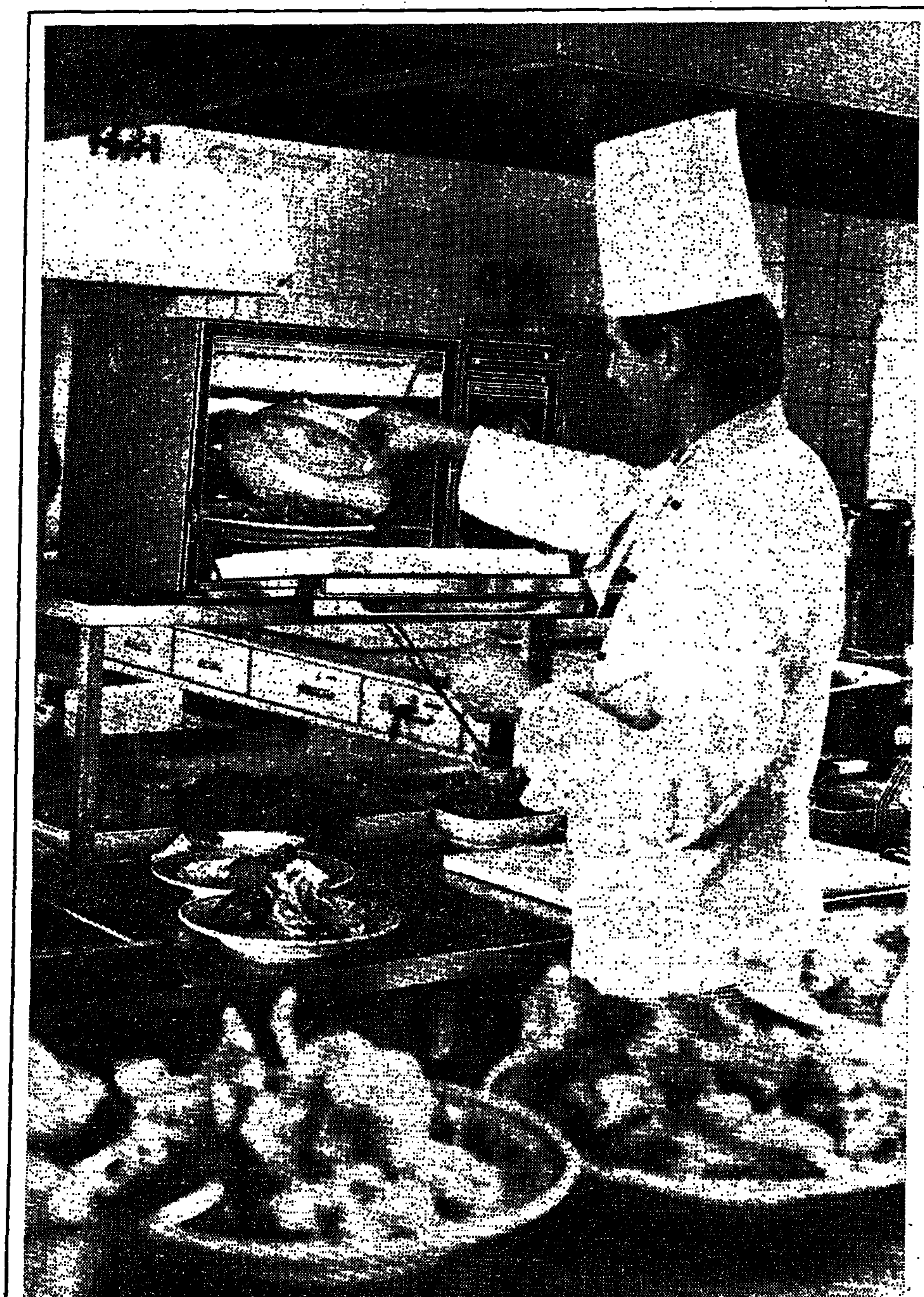
The Mobil decision was a big victory for the commission, and it expects that other favourable decisions will follow.

## Britain protests about unitary taxation

IN AN official Note handed to Mr. William Miller, the Treasury Secretary, by Sir Nicholas Henderson, British Ambassador, at yesterday's formal ceremony in Washington, Britain complained that the practice of "unitary taxation":

- Offended generally agreed OECD taxation principles
- Had tax consequences which were unpredictable and arbitrary
- Resulted in double taxation which could not be relieved
- Hampered business and investment

The Note ended by asking the U.S. Government to use its best offices to resolve the problem.



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# WORLD TRADE NEWS

## U.S. now China's second largest trading partner after Japan

BY TONY WALKER IN PEKING

ON THE strength of its commodity exports the U.S. last year overtook West Germany to become China's second largest trading partner. But the Americans are still way behind the Japanese.

According to figures produced by the various commercial attaches in Peking, Sino-U.S. trade doubled in 1979 to $2.28bn surpassing West Germany's two way trade of $2.03bn which was up from $1.36bn in 1978.

The main component of U.S. exports, which doubled last year to $1.72bn, was raw cotton at $357m but other agricultural commodities such as corn, wheat and soyabean also contributed significantly. Imports from China totalled $551m compared with $324m in the previous year. This more than doubled the U.S. trade surplus on trade with China to $1.17bn against $498m in 1978.

Japan continues to be China's main trading partner with total trade last year almost trebling the U.S. total at $6.66bn compared with $5.08bn in 1978. China's exports to Japan totalled $2.95bn — reducing Japan's surplus from $1.02bn to $750m. This export rise was mainly accounted for by China's coal and oil shipments under the long term agreement which envisages total two way trade of between $40bn and $60bn in the period 1978 to 1990.

Trade between China and the EEC expanded to around $3.5bn last year from $2.5bn in the previous year. China's trade with the ASEAN countries amounted to $1bn in 1979, most of it in China's favour due to its oil exports to the Philippines and Thailand.

China's total trade amounted to about $30bn last year. Imports were up about 31 per cent, while exports increased by 26 per cent.

Encouraging for the Chinese was the stronger than predicted export performance. At the June, 1979, meeting of the National People's Congress a planned increase of 14.7 per cent was announced which would have meant a trade deficit around $3.7bn. Instead, China had a deficit of around $2bn.

The improved export performance was due largely to increased prices for Chinese crude in line with OPEC rises.

CHINA'S MAIN TRADING PARTNERS

| Country | Exports to China $ | | Imports from China $ | | Total trade $ | | Trade balance $ | |
|---|---|---|---|---|---|---|---|---|
| | 1979 | 1978 | 1979 | 1978 | 1979 | 1978 | 1979 | 1978 |
| Japan | 3.7bn | 3.05bn | 2.95bn | 2.03bn | 6.66bn | 5.08bn | +750m | +1.02bn |
| U.S. | 1.72bn | 822m | 551m | 326m | 2.28bn | 1.15bn | +1.17bn | +498m |
| W. Germany | 1.49bn | 995m | 534m | 367m | 2.03bn | 1.36bn | +956m | +628m |
| UK | 464m | 175m | 298m | 212m | 765m | 387m | +166m | −37m |
| Australia* | 621m | 456m | 140m | 129m | 761m | 585m | +481m | +327m |
| France | 260m | 197m | 316m | 227m | 576m | 424m | −56m | −30m |
| Canada† | 461m | 503m | 131m | 92m | 592m | 595m | +330m | +411m |

* 11 months' exports, 10 months' imports
† 11 months' trading

Source: Commercial officials in Peking

## Iran to end S. Korea refinery tie

SEOUL—The National Iranian Oil Company (NIOC) is expected to withdraw from a joint venture refinery in South Korea, controlled by the NIOC and Korea's Ssangyong Company.

Mr. Yang Yoon-Sae, the Korean Energy Minister, told a news conference that under Iran's revolutionary policy prohibiting overseas investment, the NIOC was currently negotiating with Ssangyong to recover its equity investment, $17m, from the joint venture named Korea-Iran Oil Company. The refinery, with a daily capacity of 60,000 barrels, is nearing completion south of here at a cost of $160m.

Korea launched the refinery project, its only local joint venture refinery with an oil producing country, in hopes of guaranteeing a steady supply of crude oil.
AP-DJ

● Japan's Matsushita Electric Company has withdrawn from the South Korean colour television business because of a slump in exports to the U.S., Reuter reports from Tokyo. The company said it has sold, for an undisclosed price, its 50 per cent stake in a joint venture company, Korea National Electric, which was established in 1978 to produce colour television sets and radios, mainly for the U.S.

## Florida growers lose dumping suit

BY DAVID BUCHAN IN WASHINGTON

THE U.S. Commerce Department has ruled that Mexican fresh winter vegetables are not being dumped on the American market at unfair prices, as alleged in a suit filed last year by Florida growers who claimed they were being hurt by the competition.

The decision, which Mr. Alfred Kahn, one of President Carter's economic advisers, hailed as "a victory in our national struggle against inflation," avoided further friction in the sensitive commercial relations between the two countries. A finding of dumping leading to duties on Mexican exports—worth about $200m (£91.5m) a year—would have hurt the vegetable industry, centred in Sinaloa Province on the west coast.

The no-dumping ruling from Washington came shortly after President Jose Lopez Portillo announced that Mexico would not after all join the General Agreement on Tariffs and Trade (GATT). The effect of his decision as far as the U.S. is concerned is that bilateral trade will not now increase as fast as it would have under GATT membership by Mexico.

The U.S. and Mexico reached a tentative trade accord at the end of last year whereby, both sides agreed to cut tariffs and other restrictions, with the U.S. making the more generous concessions. But that accord is now moot because it was conditional on Mexico joining GATT. President Lopez Portillo took his decision to protect Mexican industry from the liberalisation that GATT membership would have entailed.

The Commerce Department ruling, which the Florida growers have said they will appeal to the U.S. Customs court, is in tune with recent Administration decisions on free trade—the avoidance of import quotas on shoes and last week's lifting of trigger prices on imported steel. The trend is a victory for White House officials like Mr. Kahn, who have argued that aggressive competition from imports helps keep domestic prices down, and so curb inflation.

However, the ruling may spell trouble for Mr. Carter in Florida, whose winter produce competes directly with Mexican for northern dining tables. The President won the March 11 primary election in Florida easily but, if re-nominated, he will face voters there in the November general elections.

## Japan-Singapore chemical plant closer

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

AN IMPORTANT milestone in the implementation of the $3bn (£1.4bn) Singapore petrochemical project will be reached today when five Japanese companies, headed by Sumitomo Chemical, sign an agreement for the formation of a joint venture company for downstream operations.

The company, to be called Nihon Singapore Polyolefine, will be a partner with the Singapore Government in the production of polypropylene and low density polyethylene from feedstock produced by the central ethylene production unit at Singapore.

Sumitomo Chemical, the main Japanese promoter of the project, signed a basic agreement with the Singapore Government in 1975 for construction of the complex. Two years went by before a joint venture company (Petrochemical Corporation of Singapore) was formed to build the ethylene producing centre. After that, further delays followed as the Japanese petrochemical industry held back in apparent doubt about the world market for petrochemical products.

The formation of today's downstream joint venture company would seem to mean that the Japanese side has decided conditions are ripe to implement the entire project. Two more joint venture companies, however, still have to be formed before the downstream portion of the scheme can be carried. One will be for the production of high density polyethylene and will involve Philips Petroleum of the U.S. The second, involving Shell, will produce ethylene glycol and ethylene oxide. Shell hopes to reach an agreement by midsummer with its Japanese partners and with Petrochemical Corporation of Singapore (which will supply it with ethylene).

Work on the central ethylene production unit at Singapore is now expected to get seriously under way this summer, with Kajima Construction of Japan as the main contractor. Site preparation for the project was completed before 1977.

The Singapore petrochemical plant will use naphtha produced by the existing Singapore oil refining industry (one of whose main producers is Shell). Its products will be sold to other many of which import from South-East Asian countries, Japan.

## Pessimistic outlook for UK deals

Colina MacDougall in Peking

CHINA has no money to spend on British equipment at present. This was the message conveyed to the defence secretary, Mr. Francis Pym and senior officials of the Department of Industry during talks in Peking this week.

Protracted negotiations over the Harrier jump jet fighter, power stations from GEC and NEI and other heavy industry equipment remain stalled despite his visit. The Chinese maintain the price of the Harrier is too high and they cannot at present afford to buy industrial plant.

This contrasts sharply with the U.S. and West German experience even in the present cutback in China's purchasing programme. U.S. companies negotiating hard over sales of non-ferrous mining equipment, are permanently represented in large numbers in Peking and are confidently expecting to sell large quantities of oil production equipment in the near future.

The West Germans are negotiating equipment for the Baoshan steel plant worth between $500m and $1.5bn following their recent $200m sale of seamless tube plant for the same steel complex.

## Shanghai air exhibits may draw 60,000

By Michael Donne, Aerospace Correspondent

MORE THAN 60,000 visitors from all levels of government and industry in China are expected to visit the first British aircraft industry exhibition which starts in Shanghai tomorrow and ends on April 5.

Over 60 companies in the UK aerospace and associated industries are participating in the exhibition, organised by the Society of British Aerospace Companies.

The emphasis is on equipment and components. Although full-scale aircraft are not being demonstrated, the industry will attempt to interest China in possible purchases of such aircraft as the British Aerospace 146 feeder-liner, the HS-748 feeder-liner, the One-Eleven twin-jet, and the Harrier vertical take-off fighter.

In addition to the exhibition, the UK industry is running a symposium, at which about 88 papers on a wide range of technical activities in UK aerospace will be presented to a selected audience.

So far, few people outside China know the precise extent of Chinese involvement in aerospace, and no detailed "shopping list" has yet been presented to the West for aircraft, engines and equipment, either civil or military.

## Italy to build joint aircraft with Brazil

BY RUPERT CORNWELL IN ROME

THE ITALIAN aerospace industry is hopng for extra sales of L300bn (£157m) as a direct result of an agreement for Brazil to take part in the development of the planned AM-X All-Italian light fighter and battlefield support aircraft.

A declaration of intent was signed during a visit to Brazil last week by a delegation of top Italian Air Force and industry officials. Embraer, the Brazilian State aerospace company, might build up to 150 of the new aircraft.

The AM-X, designed to replace the ageing Fiat G-91s currently in service with the Italian Air Force, is scheduled to make its prototype debut in 1982, and go into full production in 1986.

The requirement of Italy is likely to be for between 200 and 250 of the aircraft, built jointly by the State-owned AerItalia and the privately owned Aeronautica Macci. It has now been confirmed that the engine for the AM-X will be the Rolls-Royce Spey-807, constructed under licence by Fiat and Alfa Romeo in Italy.

The AM-X to be built under licence in Brazil would be slightly different from the Italian version. It would, however, employ many components from Italy and enjoy Italian financial and technical assistance.

Sig. Fausto Cereti, AerItalia's managing director, said yesterday that so far L12bn had been spent on the development of the AM-X. A total sales target of up to 700 aircraft was being sought. Sweden as well as Brazil is understood to have contacted the Italian industry about the AM-X.

## Algeria, E. Germany in economic pact

BY LESLIE COLITT IN BERLIN

ALGERIA has signed long-term economic co-operation agreements with East Germany, which are to help construct cement and machine tool plants, as well as farm machinery factories in Algeria, and to aid in the mechanisation of agriculture and building.

An East German delegation, headed by Herr Guenter Mittag, the Politburo economics secretary, signed the agreements with Algeria's Interior Minister, Dr. Boualem Benhomouda.

Dr. Gerhard Beil, the State Secretary in the East German Foreign Trade Ministry, signed an agreement under which East Germany is to build a cement plant at Batna, and both countries are to build a rod rolling mill in Moulay Slissen and a steel and grey iron foundry in Ain Smara.

The East German delgation visited the El Hadjar metallurgical complex, where a Magdeburg heavy engineering company has built a rod and small section rolling mill, and the Leipzig Metalleichtbau group is building a factory.

East Germany imported 310,000 tonnes of Algerian oil in 1978 and is eager to expand this, as the Soviet Union will only be able to provide it with 19m tonnes annually over the next five years. Trade between East Germany and Algeria doubled to DM600m (£146m) in 1978 according to East German statistics.


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**Stewart Dalby** on Northern Ireland's political prospects

# Why no one expected an Ulster solution

THE STORMONT discussions on means of restoring more political power locally to Northern Ireland, now adjourned until after Easter, were never intended to be decisive.

From the outset, Mr. Humphrey Atkins, the Northern Ireland Secretary, eschewed the idea of an instant solution. He insisted that his conference was limited in scope and was intended merely to examine what level of agreement could be reached between the diametrically opposed local politicians.

In that context, the talks have not failed. Thorough success was never in question.

Since the Unionist-dominated, devolved Parliament at Stormont was abolished in 1972, Northern Ireland, with one brief interlude, has been ruled directly from Westminster. The Secretary of State has almost the power of a viceroy. He is supported by a team of junior ministers and the old Stormont Civil Service departments are still in place.

Beneath that structure, however, are only 26 district councils, which control parks and parking and very little else. Local government for the province's 1.5m people has, therefore, changed from being one of the UK's most intensely organised systems to being extremely weak.

*The failure of both attempts* since 1972 to restore more power helps to explain why Mr. Atkins has adopted a cautious approach and why the talks might prove [illegible] as a television soap [illegible]

[illegible] 1973 a White Paper was [illegible] proposing a 78-member assembly elected by proportional representation and without control over security. Provision was also made for a Council of Ireland to discuss matters of mutual concern to North and South. The Council was to have representatives from the Dublin and Belfast Governments.

The poll in June of that year returned 22 Unionists who supported power-sharing under the late Mr. Brian Faulkner, former Stormont Prime Minister; 28 Unionists opposed to power-sharing; and 19 Social Democratic and Labour Party (SDLP) members.

The SDLP was then, as now, the main moderate Roman Catholic group.

After a conference at Sunningdale towards the end of that year, a power-sharing executive was set up and started work on January 1, 1974. Mr. Faulkner was its chairman and Mr. Gerry Fitt, then leader of the SDLP, its vice-chairman.

## Standstill

The executive, which was welcomed by almost every British and Irish newspaper and approved by the main churches in Ireland, lasted only five months.

A strike in May organised by the Ulster Workers' Council, a coalition of Unionist groups including the Ulster Defence Association and Mr. Ian *Paisley's Democratic Unionist* Party, brought the province to a standstill. Mr. Faulkner resigned in May 28 and went into political oblivion. He had ignored the first rule of Orangeism: Do not yield an inch to the Catholic minority.

In 1975 the Labour Government, which had replaced Mr. Edward Heath's Conservative Administration, tried a variation on the assembly. It sponsored a "constitutional convention." Unlike the assembly, it had no legislative function, only a mandate to produce, within six months, an agred constitution for Northern Ireland.

The British Government agreed to accept any constitution shown to have widespread support in both communities.

The "loyalist" Unionists won the election. Mr. Paisley's Democratic Unionists, the Vanguard Unionists of Mr. William Craig (now an Official Unionist) and the Official Unionists, then led by Mr. Harry West, ran a joint panel of candidates called the United Ulster Unionist Council.

Mr. Faulkner's rump won a humiliating five seats. The United Ulster Unionist Council took 46 of the 78 seats. They demanded no power-sharing, no Council of Ireland and an all-out assault on the IRA.

The convention eventually voted 42-31 for a return to Stormont-style government.

The message for Mr. Atkins from that gloomy record was clear.

The mostly Protestant majority tends to vote for leaders who will make no compromises towards power-sharing. They discard anyone who *budges from the philosophy of* "what we have, we hold."

Mr. Atkins felt nevertheless that he had to try. He had inherited from Mr. Airey Neave, who was murdered by a terrorist group, a pledge that the Conservatives would look at means of devolving more power locally. Mr. Neave would probably have been Secretary of State.

MR. HUMPHREY ATKINS .... a cautious approach

Beyond that commitment, *there is widespread feeling* among Conservative politicians that direct rule is not a long-term solution to the Province's predicament, in spite of support for the idea shown by opinion polls.

Mr. Atkins started by ruling out discussion of two extreme *possibilities: independence; or* a reunification of Ireland.

The Official Unionists, which, with five Westminster seats, are still the largest Unionist party, declined to attend the conference, saying that it would only throw up the same impossible ideas.

That did not matter so much, however, because Mr. Ian Paisley, the erstwhile extremist agred to participate. So, too, did the non-sectarian Alliance Party.

The SDLP at first refused. Mr. Gery Fitt wanted to attend and therefore resigned the leadership in a fit of pique. He was replaced by Mr. John Hume.

Mr. Hume made clear that discussion of Irish unity would have to be included. Since that would have led to a Paisley walk-out, Mr. Atkins ran a second set of parallel talks, discussing with the SDLP security the Irish dimension and the economy.

A 14-point agenda was drawn up and things went relatively smothly until item 8, the role of the minorities, was reached.

Mr. Paisley, asked for his views, refused to accept power-sharing at an executive or Cabinet level in any future Northern Ireland Government. The minority would, in his scheme of things, be represented by advisory committees.

He had repeated what the Convention demanded.

## Compromise

For the SDLP and Mr. Hume, anything less than power-sharing is now totally unacceptable.

In devising a new political *solution, the conference may* thus be seen as a failure. Its adjournment begs the question of whether it is worth carrying on.

Mr. Paisley is acutely aware that he is contained by his constituency. He knows what happens to Unionist leaders who *compromise on power-sharing.*

If one views the talks much more narrowly, as having cleared the air and brought about a restatement of positions, then the conference might not have reached the end of its *useful life.*

Mr. Atkins can now go to the Cabinet and say that the political parties, even though they have new leaders, replacing those of 1973, cannot agree on a fully devolved assembly.

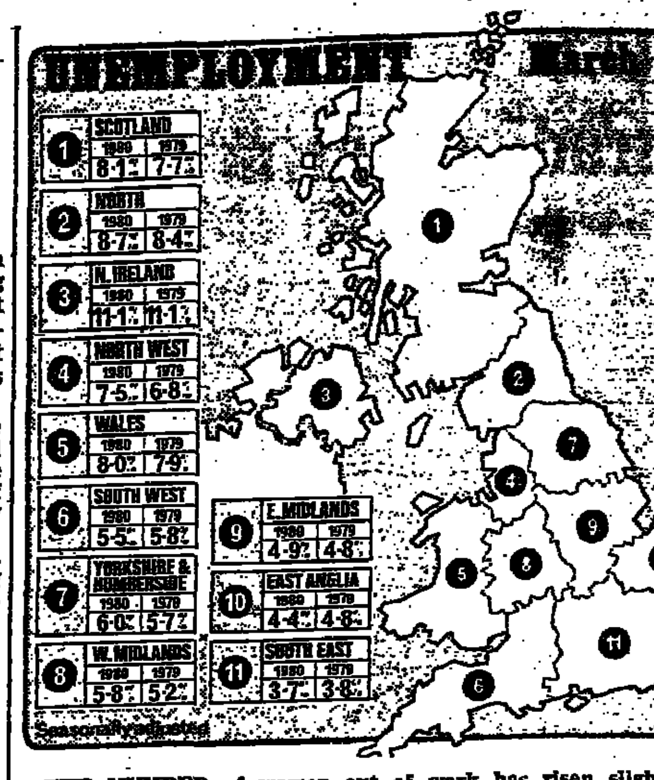
The Government might therefore come up with proposals of its own for more limited devolution and submit them to a refererendum. If the vote is favourable, the Government will have undercut the local politicians. It would then have the difficult of implementing the proposals; but at least it could say it had tried.

A referendum might take place, but it is more likely that more talks will be held first.

Mr. Hume will attend further talks although he would ideally like a new, more highly powered conference, involving Mrs. Thatcher and Mr. Charles Haughey, the Irish Prime Minister.

Mr. Paisley wants to continue to attend, because of his conviction that Mrs. Thatcher intends, willy nilly, to do something about Northern Ireland. He also fears that a British Government one day will tire of the cost and *trouble of Northern Ireland* and withdraw the guarantee that the province should remain part of the UK so long as the majority wish.

The time does not appear right for complete devolution. A more limited restoration of political powers does, however, *seem a possibility.*




***THE NUMBER of women out of work*** **has risen slightly more rapidly than male unemployment since the jobless total started to rise six months ago.**

**Female unemployment has risen 13.1 per cent since last September to 436,100, seasonally adjusted, or 4.4 per cent of the female labour force. The male total has risen 11.3 per cent to 977,800, or 6.8 per cent. The national total has risen 11.9 per cent to 1.41m, or 5.8 per cent of the workforce.**

**Regional differences have also continued to widen. The biggest increases have been in the Midlands, Yorkshire and Humberside—up 14.6 per cent and 16.6 per cent in the last six months—rather than in the traditional high unemployment areas in the North, Wales and Scotland, where the increases have been around the national average.**

**In contrast, the adult total increased 9.7 per cent in south-eastern England, well below the national average.**

# Data directors sue Associated group

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

ASSOCIATED NEWSPAPER Group was alleged in the High Court yesterday to have misrepresented its intentions when it negotiated a £100,000 deal to buy a majority interest in a *computerised directory of* trade services.

The allegation was made by Mr. Frank Alman and Mr. Andrew Benson, who sold 75 per cent of the shares in their business, Tele Data, to Associated in November 1978.

Their counsel, Mr. Charles Purle, told Mr. Justice Browne-Wilkinson that during negotiations the two men had been repeatedly assured that they would retain day-to-day control of the business. They were also told that if Tele Data's performance was satisfactory, their initial nine-month service agreements would be extended for at least five years.

In the event they were given little or nothing to do and their service agreements were ended within a year.

In their action, expected to last two weeks, Mr. Alman and Mr. Benson claim rescission of the contract and damages for misrepresentation.

Associated denies the allegations against it.

Mr. Purle said that internal documents of Associated showed that it had regarded Tele Data as "a winner" with enormous potential.

Associated's advertising agents had reported that the opportunity presented by Tele Data was "a licence to print money."

*Tele Data was "yellow pages* by phone," said Mr. Purle. It offered telephone inquirers computerised information on trade services.

Mr. Alman and Mr. Benson, who started the business in Liverpool in 1977, claimed that Associated had told them that Mr. Benson would run the Liverpool end of the business, while Mr. Alman would be London director.

In fact, said Mr. Purle, Associated's documents showed that it had always intended that its own people should run Tele Data.

Mr. Benson had been allowed little or no effective say in the management and Mr. Alman none whatsoever.

Mr. Purle said that Associated had gone ahead with the deal in spite of an "unflattering" report on Tele Data's financial situation. An Associated executive had decided that Tele Data lacked cash, sophisticated management, credibility and marketing skill, and that if Associated did not provide those for Mr. Alman and Mr. Benson, someone else would.

The hearing continues today.

# Redifon launches office communications system

*AN OFFICE* information and communications system embodying viewdata technology was launched yesterday by Redifon, the British company which makes flight simulation equipment.

The system is based on Redifon's own computer, the *R5000*, and will use specially-equipped colour television sets as display terminals. They may be operated either by a hand-held keypad or by an alpha-numeric desktop keyboard.

The system includes a pressure writing tablet which converts hand-written characters *into data signals.* These can be entered into the computer's data base and displayed on the screen.

The company says that the system, which will cost about *£50,000* in basic form, is equally suitable for communications inside an office and for linking several distant offices. It can also be tied into Prestel, the Post Office's viewdata service.

Business communications systems using viewdata have already been launced by General Electric Company (GEC) and Aregon, a subsidiary of the National Enterprise Board set up to market British viewdata technology abroad.

But Philips, the Dutch group which last week announced that it was reorganising its UK operations into a new office systems company, has decided not to proceed with plans to market a private viewdata system for business. It said that demand for such products was small.

# Jersey elects Chancellor

SENATOR Ralph Vibert, OBE, is Jersey's new Chancellor. He was elected by the States of Jersey, the island's Parliament, yesterday.

The vacancy was caused by the death of Senator Cyril le Merquend three weeks ago.

Mr. le Merquend, who was president of Jersey's finance and economic committee for 23 years, has been described as the architect of Jersey as a finance and banking centre.

Mr. Vibert has been a member of Jersey's government for the past 23 years. Before that he was the island's Solicitor-General.

After the States' sitting yesterday, Mr. Vibert said he would continue his predecessor's sound economic policies.

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(Robert A. Lutz: Chairman, Ford of Europe Incorporated, on the decision by the Ford Motor Company to build a new factory with 700 new jobs in Berlin.)

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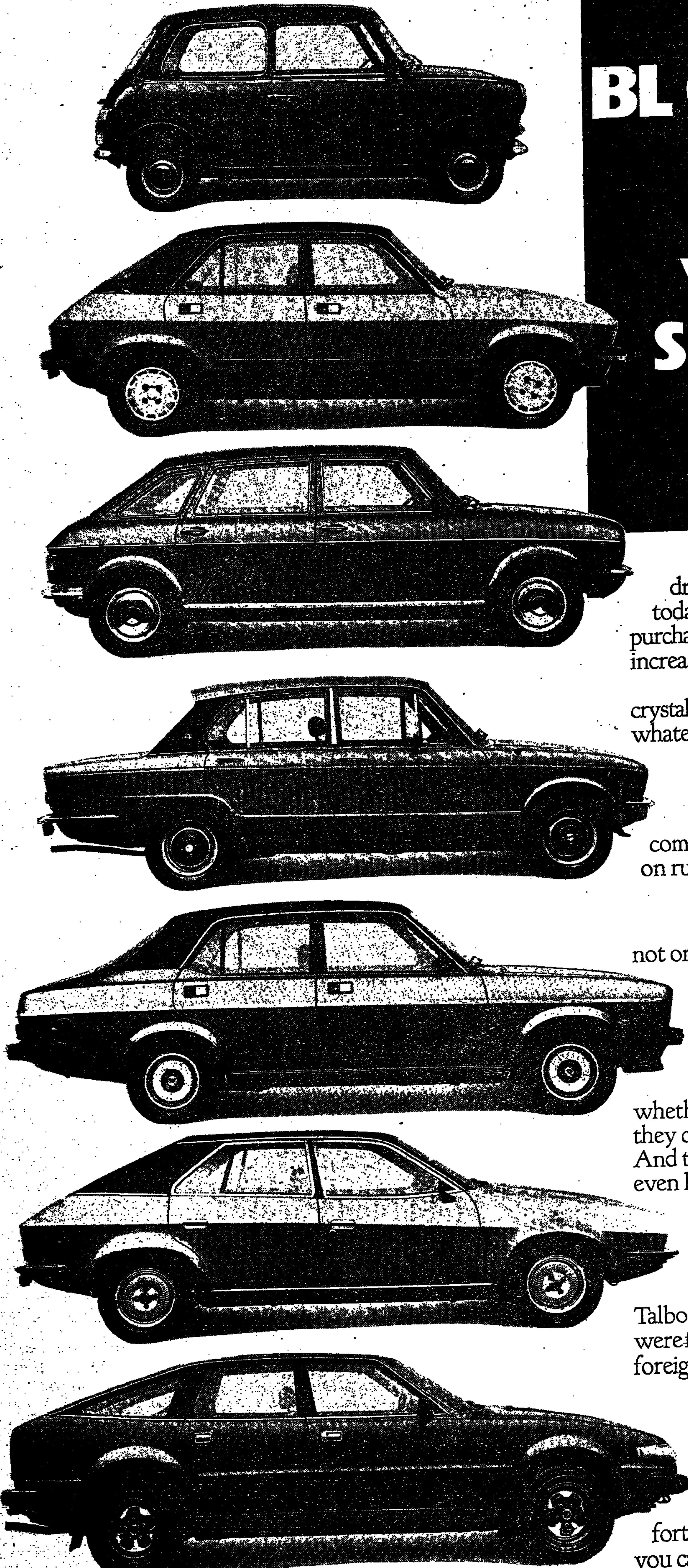

# BL CARS WILL BE CHEAPER TO RUN, WHATEVER SIR GEOFFREY SAYS.

The cost of running a car could change quite dramatically when Sir Geoffrey Howe unveils the Budget today. For example, increased petrol costs, V.A.T., road tax, purchase tax and import surcharges (on foreign cars) would all increase the cost of motoring.

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# UK NEWS

## Oil self-sufficiency is close

BY RAY DAFTER, ENERGY EDITOR

OIL COMPANIES have had a fall in demand for their refined products in the past two months, with the result that the UK has unexpectedly found *itself very close to self-sufficiency* in oil supplies.

Industry estimates show that oil consumption in January and February totalled 12.9m tonnes, a 13 per cent drop in demand levels in the corresponding *period of last year. Sales of* heavy fuel oil and heating oils were particularly badly hit.

Government figures published yesterday show that in the same two-month period UK oil production from the North Sea was 13m tonnes.

On the face of it, self-sufficiency was achieved.

However, industry sales *figures exclude the companies'* own use of fuels and bunkers, so it is likely that when official Energy Department statistics *are published they will show* that the UK was still a marginal net importer in the first two months.

Even so, it was not expected that Britain would reach sustained oil self-sufficiency until the end of this year.

A number of factors have combined to weaken the oil market, including the general *economic* climate, the steel strike, warmer-than-average winter weather, greater use of coal instead of oil in power stations, and improved energy conservation.

The trend, matched in other European countries, has contributed to weakening of product prices in world spot markets.

The overall fall in UK oil demand is all the more remarkable because sales of petrol, an important component of the *product market*, continued to increase. Petrol deliveries in the first two months of this year were 9.9 per cent higher *than in that period last year.*

Oil companies think that even if Sir Geoffrey Howe, Chancellor of the Exchequer, increases tax *levels* to raise petrol prices by around 10p a gallon in today's Budget, a move widely expected in the industry, the impact on demand will be minimal.

The petrol market has proved *far less affected by price* increases than predicted a few years ago.

There are already signs of a new price war in the petrol market. The average selling price of four-star in the South *is about £1.21-£1.22 a gallon,* though in some areas of the North and East the average is nearer £1.18-£1.19.

A growing number of independent petrol stations and hypermarkets, particularly in the North-East, sell four-star for about £1.15-£1.16 a gallon, only a fraction above wholesale prices.

*The North-East normally* leads the price-cutting movement. It is an area where there are many independent traders. They can buy surplus output from nearby refineries, or product imported via the Rotter*dam spot market.*

Major companies expect downward pressure on prices to move into other areas of Britain, as *in 1977* and 1978.

They do not expect the "price war" to be as serious as in those years, saying that world oil supply and demand contine to be precariously balanced, and that large producing countries are *reducing output to maintain* supply tightness.

The UK continues to build up North Sea production levels. Government figures show that average daily production from Britain's first 14 offshore fields last month was 1.66m barrels, against 1.6m in January.

Because of the shorter month February's output, 6.43m tonnes, *was slightly down on January's* total (6.63m tonnes).

## Delay in splitting BNOC

THE British National Oil Corporation, which the Government proposes to restructure, will remain wholly state-owned until at least the summer of 1981, writes Ray Dafter.

Mr. David Howell, Energy Secretary, told the Commons yesterday that because of the full parliamentary timetable it *was not possible to introduce* legislation this session for private sector participation in BNOC's North Sea operations but it would be done "as soon as possible."

The postponement — forecast in the Financial Times on March 8 — means that the Public Sector Borrowing Requirement will not be helped *by a sale of shares until the* 1981-82 financial year. Mr. Howell was hoping that an initial sale, raising perhaps £500m to £600m, could have helped the PSBR in 1980-81.

Mr. Howell's plan includes splitting the corporation in two. Private capital would be invited into the exploration and production arm, turning it into a *British Petroleum-type* company; the oil trading business would be retained under full State control.

*In sectors of the oil industry* yesterday it was pointed out that Mr. Howell had not referred to this split in his Commons statement.

Some BNOC officials, who are against the plan for separation, saw the postponement as a stay of execution.

But some Conservative backbenchers are uneasy about the delay. They see the "privatisa*tion" of BNOC as a major part* of the Government's policy of reducing State interests in major corporations.

*There* was a feeling in some parts of the UK oil industry that the longer the delay, the more difficult it would be for Mr. Howell to steer through all his plans.

BNOC is now becoming *extremely profitable.* This year it expects to return a pre-tax profit of several hundred million pounds; by the mid-*1980s, annual profits* could be around £1bn. Thus the opposition to disposing of profit-making assets, with all the implications for reduced Government revenues, is expected to be intensified with time.

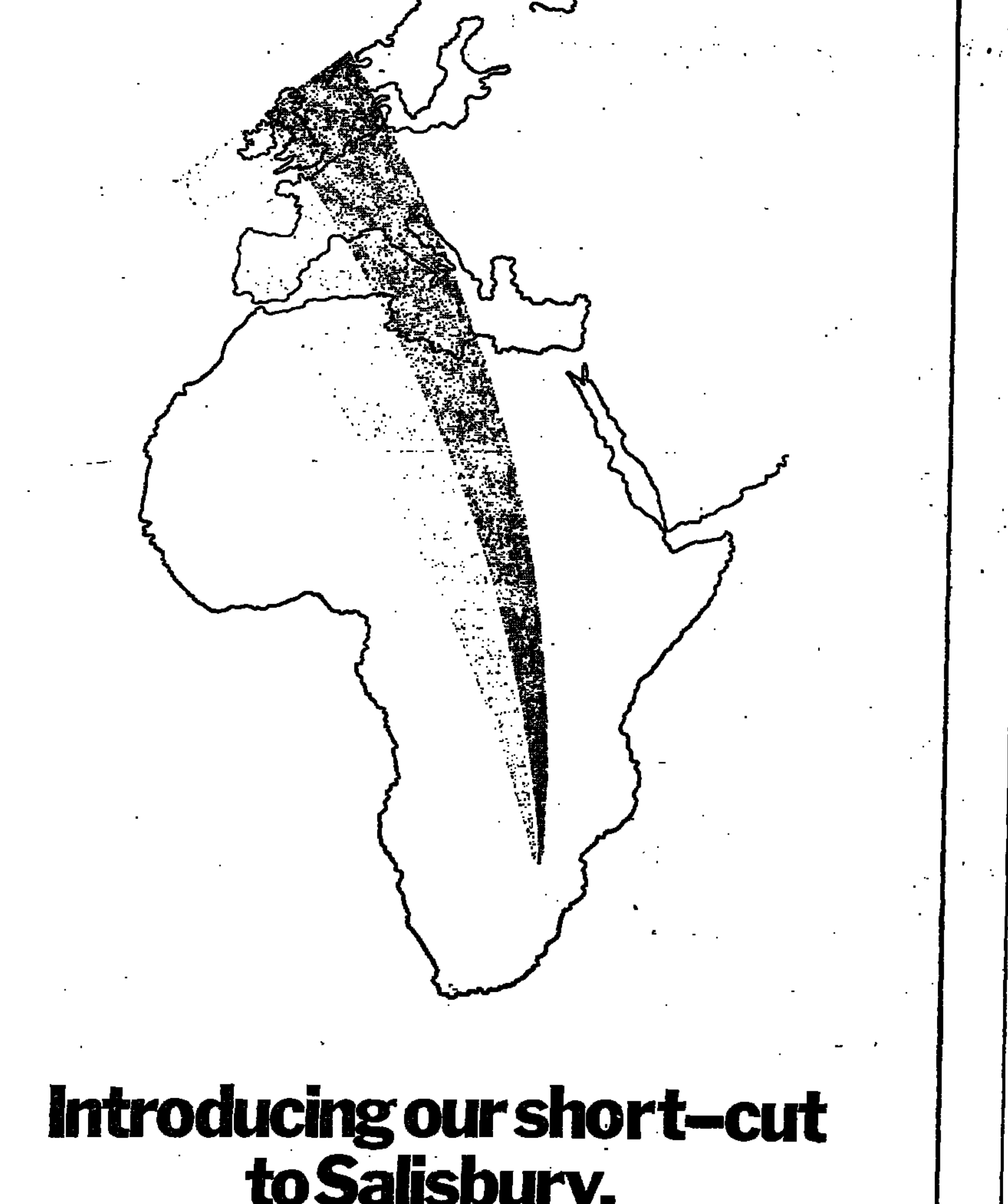
Furthermore, if a disruption in oil supplies create another crisis in the world oil market, *Mr. Howell may find support* from both some Cabinet colleagues and Opposition leaders for BNOC to be kept in state hands, as a security measure.

One reason for the postponement has been the logistics of splitting BNOC and the rewording of all of the state participation deals with North Sea oil companies. It was pointed out within BNOC that the expansion of the corporation's activities over the next year would probably add to the complications of reorganisation.

## Plans would 'end national parks'

THE Ramblers' Association has *condemned proposals which*, it says, would mean abolishing the 10 national parks in England and Wales

The association fears harm to areas like the Lake District, the Yorkshire Dales and Dartmoor if machinery to protect outstanding landscapes is dismantled. The Countryside Review Committee had suggested in a discussion paper that national parks and areas of outstanding natural beauty be replaced by a "two-tier" *system, depending on the size* of the area.

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## U.S. may supply engines for 1-11s

BY LYNTON McLAIN

BRITISH AEROSPACE is examining "very seriously" the possible use of U.S. jet engines to replace Rolls-Royce Spey turbojets on the corporation's 1-11 airliners.

The airliner was launched 19 years ago, a year after Rolls-Royce produced the first Spey jet engine for the Trident aircraft.

The corporaton said yesterday *the U.S. Pratt and Whitney* engines in the new McDonnell Douglas DC-9 series 80 airliner were quieter and more economic than the Spey.

Replacing an engine with a more up-to-date power plant was a way of extending the life of an aircraft, but British Aerospace said it would need at least 20 conversion orders to make the Pratt and Whitney engine a viable proposition for the 1-11.

British Aerospace would have to add a fuselage section—*involving cutting the existing* body in two—to counter the extra weight of the U.S. engines and the existing fuel pipe network would have to be redesigned.

The Pratt and Whitney JT8D 209 engines have a thrust of 18,000 lb—almost 50 per cent more than the Spey's 12,550 lb. As a result, the U.S. engine *would have to be "derated"* and reduced in power to fit the 1-11. It would therefore almost certainly be operating below maximum efficiency.

The Spey has been used on the Trident, and had powered 227 British Aerospace 1-11 airliners as well as 240 U.S. Grumman Gulfstream aircraft. It is also in production in China for the Trident.

● Panavia, the Anglo-German-Italian consortium producing the Tornado multi-role fighter bomber yesterday reported the first flight of the first production strike Tornado. First deliveries to the Tornado training centre at Cottesmore are expected in the summer.

## Sir Arnold Hall to be university chancellor

SIR ARNOLD HALL FRS, the 64-year-old chairman and managing director of the Hawker Siddeley Group, has been elected chancellor of Loughborough University. He will succeed Lord Pilkington, who is resigning after 14 years in office.

Sir Arnold was born in Liverpool and educated at Alsop High *School* and *Clare College*, Cambridge.

At the age of 30 he became Zaharoff Professor of Aviation and head of the Department of Aeronautics at Imperial College, London. He held these posts until 1951, when he returned to Farnborough as director.

In 1955 he joined Hawker *Siddeley as technical director*, becoming managing director in 1963 and chairman and managing director in 1967.

*He was knighted in 1954*, and elected a Fellow of the Royal Society in 1953.

## Paintings fetch £1.13m at Christie's

A PAINTING of a vase of white and pink roses on a table by the French artist Henri Fantin-Latour, signed and dated 1881, set an auction record for the painter when sold for £56,000, *plus* the 11.5 per cent buyer's premium and VAT, at Christie's sale of Impressionist and modern paintings yesterday. It totalled £1,113,420.

In 1913 the same picture sold at Christie's for 40 guineas. The buyer yesterday was Abels, a Cologne dealer.

A Picasso portrait of his second wife, Jacqueline á la mantille sur fond rouge, went to a Swiss private collector for *£55,000. The same sum*

### SALEROOM

BY ANTONY THORNCROFT

acquired (after the sale was over) René Magritte's Profondeurs de Plaisir 2.

Other high prices were £48,000 for a Monet of Waterloo Bridge painted from his room at the Savoy Hotel and the £32,000 for Chagall's L'homme qui marche.

At the Singer Museum in Laren in Holland on Monday Christie's sold pictures for £484,021 with Richard Green, *the London* dealer, acquiring a townscape by Anthonie Beerstraten for £15,217

Christie's South Kensington sold a rarity, a gentleman's full Highland dress of the late 1830s, for £5,000, to the Museum *of Scottish Tartans, thanks to a* bequest of £2,500 from the Scotland and the same sum National Heritage Fund of from a private trust.

INSTITUTE OF DIRECTORS' CONVENTION

## UK falling back in EEC says Vicomte Davignon

BY JAMES McDONALD

A DEPRESSING picture of the performance of British industry compared with that of the rest of the European Community was painted yesterday by Vicomte Etienne Davignon, EEC Commissioner for Industry. He also criticised Britain's industrial management.

He told the annual convention of the Institute of Directors, at the Albert Hall: "Britain's problems are European's problems for two very clear reasons: the disparities in industrial performance are a *serious brake on the process of* integrating the European market; and there is an uncomfortable parallel between Britain's performance compared with the rest of the Community and the risk of a future decline in Europe compared with the rest of the world, and particularly with Japan."

The EEC could not treat *Britain's problems as* purely national and had to help towards their solution, he said.

But there were some aspects of the current difficulties of British companies which were not of the Community's making and to which it did not have the solution. He cited in particular the high exchange rate and "very high" interest rates affecting exports and profits.

"The only solution we can offer to this would be for Britain to join the European *Monetary System*, at an appropriate exchange rate where British industry would be competitive, and to benefit from *the stability, flexibility* and resources which would be available through the EMS," he said.

Within the EEC the British share of exports had fallen from 13.7 per cent in 1963 to 8.6 per cent in 1977, while West Germany's share had remained at about 19 per cent and France's had increased from 8.5 to 9.1 per cent.

VICOMTE D'AVIGNON addressing the convention

The UK share of world exports had also fallen markedly. In 1958 the UK accounted for 10 per cent of world exports, in 1968 this was 7.2 per cent and by 1978 it was 5.7 per cent, ex*cluding* intra-EEC trade. Other EEC countries held or increased their share.

In all manufacturing sectors except agriculture and foodstuffs, he said, UK productivity "is the lowest in the Community. In 1976 West Germany, France and the Benelux countires produced over 70 per cent more per employee in industry *than the UK*," and Italy *some* 15 per cent more.

"On present trends in a few years the UK will be overtaken by other future Community countries, particularly Spain."

Moreover, the technological sophistication of UK exports had been seriously falling behind that of her main competitors.

Vicomte Davignon felt that much of the problem was that Britain had joined the Com*munity too late*, "indeed at the worst possible moment, on the eve of an international recession."

The UK had *also* been *slow* to follow Germany's lead in developing new industries such as chemicals, electricity generation and advanced machinery and to move resources from declining to more advanced sectors.

*He* reminded his audience that many of them had been responsible for the planning and strategic decision-making of British industry *for some time. With* some notable exceptions there had been a lack of foresight and successful strategic planning.

There had been a particular problem of managing industrial development in the public sector, where through bad luck *or* judgment, serious errors had been made in the investment plans of the steel industry, the *structure of the automobile* industry, and in national research and development priorities.

The Community had several roles to play. It should have a stabilising and moderating role on the relationships between government and industry, and it must provide "countervailing arguments against the protectionist pressures which *naturally arise in those sectors* which are under greatest pressure."

The EEC also had an essential role in achieving agreement when trade policies were necessary. "Unilateral action is not acceptable," he said.

In answer to a question, he forecast that Britain's nationalised steel industry could reach a *strong* pinnacle again by 1983-84 if it was prepared after the strike, to proceed with an energetic restructuring programme at least comparable with the efforts of other European steelmakers.

## Nott tells directors: You cannot blame Government

"PROSPERITY or Poverty—*The Last Chance for Choice*" was the theme of yesterday's convention. Several speakers made it clear that the initiative of choice lay largely in the hands of the directors, writes **James McDonald.**

"It is you, more than the Government, that have direct control over employment and productivity. The only success *which we can look to* is that which comes from individuals responding to the climate we have set," said **Mr. John Nott**, the Trade Secretary.

"The message from business to the Conservative Party before the election was: 'Get off my back, get out of my pocket, keep out of my hair and leave me alone to run my business.' Now *don't blame the Government if* that is what it is trying to do."

The Government had abolished price, wage and divi*dend controls, done away with* exchange control and reduced the top rates of income-tax. "We said we would reduce the share of the GNP taken by the public sector and so we will. There's a Budget tomorrow, you wait for it."

He did not underrate the concern of business at the immediate outlook. High wage *settlements, high interest rates* and a high pound were "murdering" the cash position of many companies. But there was no realistic alternative to the present policies.

"Until the international trading, political and financial situation turns in our favour, bringing lower interest rates and more stability, particularly within the Middle East, we must soldier on, laying the necessary foundations in the home economy for better times ahead."

Instead of talk of import penetration, "our latest national obsession," more should be made of British *export penetration. Despite* the difficult shift in the direction of exports from the Commonwealth to Europe, the UK had increased its exports volume more than 25 per cent in the last four years and had held its world share fairly constant.

Even the universities were doing a "proper job," with his *own colege, Trinity, Cambridge*, having more Nobel Prize winners than the whole of France. If a Californian "super-brain" sperm bank became a reality he could see "the dons of Trinity setting sail in their test tubes instead of in the Mayflower."

A similar message, that it was mainly up to Britin's directors *and managers to "stop the rot* and delivery the prosperity they need," was given to the audience of 3,000 by **Sir Terence Becket**, chairman of Ford Motor.

"The Government, the trade unions and the workforce can help and we must do what we can to get this help, but I believe the real turnround has got to start with us."

*Britain had some industrial* companies that were as good as any in the world "but we new haev far too many which are part of inevitable structural decline and others that really lost their way."

Industrial morale was poor. "We are reluctant to change, but new products, new technologies and new nations setting up their *own industries are pro*pelling us into an urgently demanding world."

The Finniston report had examined the shortcomings of engineering traning and profession. "I believe we need a similar examination of several other areas of our *national life: management*, the trade unions, employee communication and consultation, youth employment, training for the new technology, and an energy policy."

**Sir Hector Laing**, chairman of United Biscuits, said the Government had given industry more freedom to control its destiny. "Now the Government *had stepped back we, manage*ment, must take a step forward, must display greater courage and vision, and provide more positive leadership."

Management had a responsibility to create wealth. "We will only achieve that purpose if we pursue policies which inspire the trust of our workforces and communicate both the purpose and the *policies in* a way that will win their hearts and minds."

**Mr. Kingman Brewster**, the U.S. Ambassador to the UK, warned the convention against the dangers of protectionism. "*The danger of retaliation* is especially acute in the U.S. And the temptations are great, not because we are externally dependent but because we are not." The U.S. had "automobile States, cotton States, textile States, steel States, shoe States and tobacco States as well as the farm bloc."

**Mr. Walter Goldsmith**, director general *of the institute*, said the choice of prosperity for Britain depended on decisions taken by directors and managers *of industry. Competent business* leadership was the "most important force for economic recovery in this country."

## Imports help cushion steel strike impact

BY MAURICE SAMUELSON

**IMPORTS OF steel, with supplies from private** *sector* **steelmakers, are largely cushioning the effects of the British Steel Corporation strike, says a new survey by the British Iron and Steel Consumers Council, which represents more than half the** *steel consumers in the country.*

**"Stocks are getting tighter but most companies can still carry** *on for a matter of* **weeks" Mr. John Safford, the director, said last night.**

**The council is concerned about the longterm damage which may be done to the British steel industry by the large number** *of British com***panies which have bought foreign steel for the first time during the strike and are** *pleased with the price and* **quality.**

**Meanwhile Mr. Richard Rawlins, executive director of the National Association of Steel Stockholders, said many stockholders are two-thirds understocked, and metal in popular sizes will run out in three or four weeks.**

***The* food canning industry is already being hit because of its heavy reliance on BSC for tin plate. The effects are also beginning to be felt by some food producers, according to the Food Manufacturers' Federation. If the strike lasts more than another fortnight, the federation said, seasonal fruit and vegetables for canning could be affected.**

**Vauxhall Motors said it is likely to start laying-off workers this week because of component shortages at Dunstable.**

**With two of Britain's three largest pet food canneries—at Barrhead, near Glasgow, and Wisbech, in East Anglia—closed,** *there is also a risk* **of offal, the chief ingredient, piling up at abattoirs, the federation said.**

***British Rail* said it was short of wheels for passenger coaches. BR is already limiting weekend** *track re-laying* **and some wagon repairs.**

## Deliveries of bricks and cement improve

By Andrew Taylor

BRICKS AND cement deliveries in the first two months of this year are significantly higher than in the same months in 1979 judging by figures published yesterday by the Environment *Department.*

However, last year's figures will have been distorted by bad winter weather, which minimsed *building*, and by the transport drivers' strike, which disrupted deliveries.

The steel *strike has* had little effect on construction work in the first quarter of this year, and mild weather has allowed much more building than a year ago.

According to the department's *figures, brick deliveries* in the three months to the end of February were 6 per cent higher than in the corresponding months last year and cement deliveries were 24 per cent higher.

Last *month*, *364m* bricks were delivered in Great Britain, against production of 416m. Stocks rose from 643m to 695m, about seven weeks' current production.

INDUSTRY MOVES TO STEM DECLINE

# Cuts to be sought in textile imports

BY RHYS DAVID, TEXTILES CORRESPONDENT

SELECTIVE CUTS in imports of textile and clothing, representing an overall reduction equivalent to 10 per cent of last year's overseas shipments to the UK, are to be requested shortly by the British Textile Employers' Association (BTEA) in a new submission to the Government.

Mr. Ernest Cummins, the association's president, said that the industry, as a leading employer and a significant contributor to gross national product, was in decline, and by the middle of the 1980s might cease to be of any national significance.

Imports should be frozen at the proposed reduced level and should be allowed to return to present levels only in proportion with future growth of the economy.

Employment in the Lancashire-based cotton and allied textile industry, which the association represents, fell again in January by 920, bringing the total decline in the past year to 6,000 and reducing total numbers employed to 62,000.

Difficulties are particularly severe in finishing, which has been affected by competition from imported American cotton-polyester fabric.

The U.S. industry has the advantage of cheaper polyester because American oil and gas are cheaper, and of savings on oil-based chemicals for dyeing and printing. Producers say that U.S. fabrics are arriving at four fifths of UK prices. Short-time working is extensive.

Within the fibre industry, too, the EEC Council of Ministers has been criticised for failing to act further on U.S. exports beyond the limited quotas that Britain has been allowed to introduce.

The industry has been quick to note that in spite of the proposed oil duties in President Carter's recent economic measures, U.S. manufacturers will not have to pay more for oil-based raw materials.

## Oil prices

In the latest protest from the UK industry, Dr. Geoff Turner, chairman of the Man-Made Fibres Producers' Committee, said that oil prices for European producers had risen since the fibre producers called for action last April. The EEC Commission should authorise an anti-dumping duty throughout the EEC on polyester filament yarn from the U.S., he urged.

Hoechst, the West German fibre company, confirmed last week that it was expecting losses this year on fibre operations in the UK. Further rationalisation of the group's polyester filament work at Limavady, Northern Ireland, which is operating below capacity, is in progress, and a new management structure has been introduced. ICI Fibres, Britain's biggest synthetic fibre producer, recently disclosed a loss of more than £30m last year.

Monsanto, an important supplier of acrylic to the UK, is to collaborate with its spinning industry customers to try to stimulate increased demand for UK-produced yarns. The company, which has also been losing money in the UK, has commissioned Derek Healey International, a design agency, to produce forecasts of colours, yarn effects and surface effects for use by Monsanto customers.

The aim, according to Mr. Ken Hollows, Monsanto's apparel and home furnishings marketing director, is to help spinners to meet the criticism that UK colour and design are often not good enough.

Monsanto, under pressure from imported fibre, mostly from the Far East, has been moving out of commodity products into production of specialised yarns.

Ecru (basic white) fibre now represents only about two fifths of output by the company, which has one of its main European production centres in Coleraine, Northern Ireland. The rest is made up of newer Bi-component fibres, dyed fibres, modacrylic fire-resistant fibres and printable fibre.

The combination of more specialised yarns and better design will, Monsanto hopes, enable customers to hold their market share and win new business by replacing imports.

Similar exercises are being tried by other suppliers to the UK market, including ICI, Courtaulds, Du Pont, and British Enkalon.

# Coal and coke gas now a significant source of energy

BY MAURICE SAMUELSON

GAS FROM coal and coke is making a significant contribution to Britain's energy needs, the National Coal Board said yesterday.

Mr. Norman Siddall, the NCB's deputy chairman, said that last year £25m worth of methane from collieries and coke oven gas had been supplied to outside industry and used by the NCB itself. This was equivalent to keeping the whole of Britain supplied with gas for a working week, 1m tons of coal or 600,000 tons of oil.

He was speaking at the NCB's latest gas customer, the Michelin tyre factory at Stoke-on-Trent, as it switched on its new methane supply, piped from five Staffordshire collieries.

More industries would be joining Michelin in the future in relying on gas supplies from the coal industry, he said.

Michelin's arrangement with the NCB had been assisted by the British Gas Corporation's West Midlands board. Michelin is still reliant on natural gas as well, and will continue to use oil and coal for steam raising.

In industry, methane tends to replace oil rather than gas and many companies use natural gas to improve the methane's quality. There is no question of competition between the NCB and British Gas for gas customers, since the latter has the first refusal from the public and exploitable quantities of mine gas are relatively minute.

Throughout the coalfields' about 50m therms of methane a year, worth more than £5m, are extracted from 115 collieries. Last year about 30m therms were used in colliery boilers and 18m therms sold to external customers, including brick and tile works, the plastics industry and a distillery.

In addition, about 95m therms of coke oven gas a year, valued at £10m, were sold by the NCB to glassworks, brickworks, chemical plants, a steelworks, an industrial estate and two hospitals.

Extracting methane (known to miners as firedamp) from coal seams is essential for underground safety and the NCB says it is a world leader in automating its use as a fuel. It plans to increase supplies probably by nearly half to more than 70m therms in 1983.

## Cardiff radio starts April 11

ABOUT 420,000 people in the Cardiff area will be able to receive the Independent Local Radio service from Cardiff Broadcasting from April 11. Cardiff is the first service to go on the air since Independent Broadcasting Authority's present expansion of 25 services was authorised.

Transmissions are on 221 metres (1359 kHz) medium wave and 96 MHz VHF/FM stereo.

Main service area, apart from Cardiff, includes Penarth and most of Barry and Cowbridge.

# Paper makers press for long-term forestry policy

BY WILLIAM HALL

THE GOVERNMENT is being urged to introduce a long-term policy for U.K. forestry to increase supplies of domestic timber.

The move comes against a background of increasing concern about a sharp fall in new forest planting over the last decade.

The British paper industry is the biggest user of home grown timber, although only 15 per cent of its wood pulp is produced domestically. It has been stressing for some time that increasing supplies of domestic timber are essential if the industry is to continue to invest in integrated capacity such as the new pulp and board complex at Workington in Cumbria.

The industry has found support in a report from the Centre for Agricultural Studies called "A strategy for the UK forest industry," and the House of Lords will today debate the need for a long-term UK forestry policy.

The British Paper and Board Industry Federation, which represents the paper industry, is hoping that the Government will come out in firm support of a long-term forestry policy.

The UK has around 2m hectares of forest, of which just over 1m hectares have been planted since 1940. During the 1950s and early 1960s the Government encouraged new forest planting, but since the early 1970s planting rates have been falling steadily.

NEW PLANTING IN BRITISH FORESTS
'000 Hectares

| | Forestry Commission | Private | Total |
|---|---|---|---|
| 1972 | 21.7 | 19.9 | 41.6 |
| 1973 | 19.4 | 20.4 | 39.8 |
| 1974 | 18.4 | 19.4 | 37.8 |
| 1975 | 19.6 | 18.5 | 38.1 |
| 1976 | 17.2 | 9.8 | 27.0 |
| 1977 | 15.5 | 7.5 | 23.0 |
| 1978 | 14.1 | 6.5 | 20.6 |
| 1979 | 11.8 | 8.1 | 19.9 |

Britain's forests are roughly equally divided between the state, through the Forestry Commission, and private owners. Uncertainty about future taxation rates and changes in the level of incentives are the main reason why private forest planting has been declining, and shortage of land has been a major problem for the state sector.

Britain's timber production will rise strongly for the next 20 years, but output will start to fall after that. It takes UK trees about 55 years to reach maturity. It is for this reason that the paper industry and other interested parties are keen to see some sort of Government initiative to encourage long-term investment in forestry and stem the decline in planting.

The National Economic Development Organisation's paper sector working party has recommended that Britain's forest area should be increased by about a fifth to 2.5m hectares by the year 2000. The Forestry Commission and the Centre for Agricultural Strategy believe the target should be to increase the current 2m hectares to 3.2m hectares by the end of the century.

## 250 lose jobs

MORE THAN 250 men employed at Tyne Docks Engineering, a 102-year-old private ship repair company were yesterday sacked by a receiver appointed by Lloyds Bank.

Mr. Denis Courtney, the receiver, said that since June 1978 the company had lost over £500,000 and there was no work in hand or in prospect. A buyer was being sought for the yard.

## Lorry bans 'could cost £75m'

SCHEMES restricting lorry access to certain UK roads could cost the freight industry £75m this year, the Freight Transport Association said yesterday.

Mr. Malcolm Banks, president of the association, told the Yorkshire division of the FTA that local authorities had tried to secure, by lorry bans, the benefits which new roads would have achieved.

He said few of the bans, which restrict lorries using certain routes, actually solved anything. The "Windsor Cordon," for example, "disbenefited as many households as it benefited," he claimed.

Every year local authorities proposed about 2,000 schemes affecting lorry access he said, and during the last five years there had been 11 cuts in the road programme.

# Computer service to cut cloth waste

BY ARNOLD KRANSDORFF

A COMPUTER service aimed at improving efficiency in the hard-pressed textiles industry is being launched by Mr. Ronnie Royston.

The service, which will bring new technology within reach of the smaller clothing manufacturers, is designed to cut cloth wastage and manpower, and speed design techniques.

Mr. Royston—who built up the Weyborn Engineering Company before it was acquired for £16m by U.S.-based Carborundum in 1977—and his family interests have formed Apparel Computer Services to operate computer bureaux throughout the world. His investment so far is $1.5m (£680,000).

Each bureau will be equipped with a Hughes Aircraft AM-1 computer system to handle marking and grading functions, previously laborious and expensive.

Mr. Royston estimated the potential UK market for the service to be "into eight figures." His managing director, Mr. David Jones, said the new technology could help companies reduce cloth wastage by up to 7 per cent while the numbers of graders and paper cutters could be cut substantially.

He calculated that a set of patterns over five sizes for an average garment would cost £100 using the leased computer. To instal and operate the equipment oneself would cost over £150,000, he added.

This year the company plans to open three bureaux in the UK and three in the U.S. The first UK service will operate from London, the others in Manchester and probably Nottingham.

Mr. Royston said he was holding detailed discussions with several UK textiles companies.

Financial Year 1979

SOCIETE GENERALE DE BELGIQUE

The Annual Report begins with comments on three major topics: the size of companies and their resources, the structure of the diversified financial groups, and the legitimacy of private enterprise.

This report contains a wealth of information on the group's results and activities. For example, on the strengthening of the banking-related axis of the group, under the aegis of SOFINA, on the major lines of credit granted by the SOCIETE GENERALE DE BANQUE, on CMB's diversification policy and on the new thrusts of CBR and IMMOBILIERE DE BELGIQUE. There is extensive reference to the achievements of the group abroad, particularly the expansion of GENSTAR in the U.S., the increase in the volume of design work carried out by the engineering division of TRACTION ET ELECTRICITE, the penetration of international markets by ACEC and BN, and the presence of CARBOCHIM and PRB in the U.S.

The document also gives information on the strengthening of FN's position both in Belgium and abroad; on the activities of UNION MINIERE's subsidiaries and research and development managed by METALLURGIE HOBOKEN, VIEILLE MONTAGNE and PRAYON, on financial support given by SIBEKA and its subsidiaries, and the developments at UCO and PAPETERIES DE BELGIQUE . . . .

N.B.

The information given above is taken from the Annual Report of the Société Générale de Belgique, which can be obtained on request from the External Relations Department of the company, 30 rue Royale, B 1000 Brussels, (Belgium) - tel. 02/513.38.80 ext. 276

THE BANKER

The Banker apologises to subscribers and readers for the delay in dispatching their March issue due to an industrial dispute at the printers.

Distribution of the March issue will begin, immediately following a resumption of normal working.

BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of

BUILDING SOCIETY RATES

on offer to the public.
For further details please ring
01-248 8000, Extn. 266

Goebel: Picture of Bavarian shooting range (original at City-Museum)

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# UK NEWS – LABOUR

## Mersey dockers win backing for strike

BY PAULINE CLARK, LABOUR STAFF

NATIONAL OFFICERS in the Transport and General Workers' Union gave official backing yesterday to the Liverpool dock strike. They agreed to convene a national dockers' conference on Friday to discuss support for steelworkers.

Attempts by local strike leaders and port employers in Liverpool failed to find a solution to the dispute, which has led to a total stoppage in the port and left 25 ships stranded since the strike began five days ago.

The Liverpool port employers last night said that no further meeting had been planned.

They added that the union representatives continued to insist that "dockers turn away revenue-earning cargo at a time when there are large daily surpluses of paid dock labour." The port could not afford to allow this to continue.

A mass meeting of the strikers takes place this morning to review the latest developments.

It appears unlikely for the time being that there will be a move towards national action by dockers in support of the steel strike.

"All the signs were yesterday that if action was extended beyond Liverpool, it would be confined to ports where employers ordered dockers to handle steel in direct defiance of the union's official instructions on blacking it.

National port employers met to discuss a union request for instructions to all port employers not to try to force dockers to release impounded steel cargoes.

A mass meeting of 1,400 dockers at Southampton, not a major steel-handling port, decided against a stoppage in support of Liverpool.

The strike there began last Thursday when about 100 dockers were told they would not be paid if they refused to finish loading steel on to a Russian ship bound for India.

All the port's registered dockers and auxiliary workers, whom the union numbers at about 10,000 walked out in sympathy.

## Action hits papers

**ABOUT 16 provincial newspapers were hit by industrial action yesterday at the start of a stepped up campaign by print craftsmen for a better pay offer.**

**The Newspaper Society, representing nearly 300 employers on more than 1,200 newspaper, said that action by members of the National Graphical Association had affected morning and evening papers "fairly evenly" up and down the ocuntry.**

**Action was mostly in the form of mandatory chapel (union branch) meetings and overtime bans but so far there had ben no reports of a newspaper failing to appear.**

**The action, by some 65,000 printers involved in the general print industry pay dispute, folows the expiry of the NGA's five-day grace period given to employers to decide whether to accept the union's interim pay proposals. It want an £80 basic wage and a 37½-hour week.**

## British Rail offer expected next week

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL is expected to put forward a basic rate and productivity pay offer in negotiations with the three rail unions next week, following an opening round of pay talks yesterday when the unions formally presented their annual claims.

The British Railways Board is expected to resist pressure from the train drivers' union ASLEF, which was given a voice in yesterday's talks, to keep the issue of rail productivity separate from these negotiations.

Instead, the board is likely to offer a structured package on basic rates and productivity in its reply to the unions' claim next Wednesday.

The board's £750m cash limit leaves little room to offer much more than 13-14 per cent on pay without coming to some agreement on productivity.

Board negotiators also stressed that there was very little likelihood of further money from the Government to fund a settlement outside the cash limits.

They made reference to BR's freight losses from the steel strike, currently running at about £2m a week, and told union leaders that they might not be able to match any claim based on outside indices of price or earnings rises.

While no indications of the size of next week's offer were given, the unions felt reasonably confident that the board would be unlikely to repeat British Steel's move of making a very low initial offer and being forced to edge it upwards.

The unions put no direct figure on their claim for substantial pay rises, shorter hours, and increased holidays, but their submissions to the board pointed out that the cost of living, levels of earnings increases and settlements in the current pay round all pointed towards a figure of at least 20 per cent to maintain the value of last year's deal.

The National Union of Railwaymen's submission said increases of between 34.3 and 44.7 per cent were needed to restore the basic rates of various grades to 1975 levels.

● The ASLEF executive has joined the NUR in instructing members on the London Underground not to report for work on Saturday, which means that all London Tube services will be halted for the day.

The Post Office yesterday declined to make a formal pay offer to postal workers while management continues to assess the implications of the rejection last week by the Union of Post Office Workers of the corporation's wide-ranging staffing and productivity package.

HOW BL's IMPOSED PAY OFFER UPSETS THE 'ELITE'

## Job pride and closure fear mix in Jaguar strike vote

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

SHOP STEWARDS urging strike action at Jaguar's Browns Lane assembly plant in Coventry yesterday warned workers that it could mean the end of the company in its present form.

"We realise we might be on a hiding to nothing," says Mr. Dave Holloway, the Transport and General Workers' Union convener. "The present management might decide to switch production elsewhere or shut down Jaguar. These are the facts of life we had to spell out to the workforce."

Even against such warning and a more direct message from the management that a protracted dispute could put Jaguar in jeopardy, the day shift voted by 1,347 to 1,061 for a strike from next Monday.

Those who voted against, according to Mr. Holloway, were appealing for more time and discussions with management rather than registering opposition to a strike.

The hostility at Jaguar to BL Cars' decision to go ahead and implement a 5 per cent offer linked to changes in working practices reflects the deep resentment at developments in recent years.

Jaguar workers are noted for their elitism and pride in their up-marke' product. The company enjoyed relative independence in the days of the British Leyland group under Lord Stokes.

Mr. Holloway says: "We fought against the 1976 Ryder plan and warned it would lead to the creation of a monster that would eventually run out of control."

Indeed, the basis of the Jaguar stewards' case is that the local management should be given the freedom to negotiate a deal with workers.

Mr. Ron Newcombe, chairman of the shop stewards, declares: "We don't mind being linked under a broad umbrella with BL and then sharing our prosperity. What we do say is that we should be given the chance to work out an incentive scheme that will both return profits and high earnings."

The stewards complained that the £20m loss which management said Jaguar incurred last year was due to centralisation. In particular, they object to the decision to switch painting of Jaguars from Browns Lane to Castle Bromwich, Birmingham, where the bodies are pressed.

BL Cars suffered more than 12 months of disruption before forcing through the change, only to see the situation exacerbated by problems with the new £25m paint plant at Castle Bromwich.

Mr. Holloway maintains that Jaguar production throughout 1979 ran at only around 300 a week, against a planned 700, because of poor supply from the Birmingham plant.

He says paint on nearly every body from Birmingham is sub-standard and has to be rubbed down and repainted. The Browns Lane paint plant, due to be made redundant, has been brought back into use, more labour taken on and additional space used to store vehicles.

Mr. Newcombe complains: "We have given the company every co-operation for the sake of Jaguar and now they are proposing to impose a deal without agreement."

At Jaguar the loss of mutuality—the power of shop stewards to control manning levels and the pace of the job—is not the main objection to the package. "We have never had problems of access for work study people and we have always been flexible in working methods," Mr. Holloway says.

The main issue is the proposed new five-grade pay structure which relegates many workers, such as trimmers, fitters and finishers, two places from their present position at the top of the pay league.

Jaguar workers argue that, unlike other BL plants, production operations are not on a routine two-minute cycle but may involve an employee in the complete assembly of a unit taking anything up to eight hours.

"At Jaguar we are dealing with skilled men who are motivated by the product and take a pride in their work," Mr. Holloway argues.

Mr. Newcombe insists that it is pride and resentment at a pay structure being imposed from outside — rather than money — that lies at the root of the present unrest.

He does not dismiss the financial element, however. "Jaguar workers have dropped from the top to the bottom of the pay league in little more than three or four years," he says.

A worker in the top grade earns £84.16 for a 40-hour week and has been offered a 10 per cent rise plus the chance to earn up to an additional £15 under a self-financing incentive scheme.

Jaguar workers, unlike employees at other big BL plants such as Longbridge and Cowley, were already on the top rate and have not benefited from moves to achieve parity—the same wage for the same job regardless of factory.

"Workers are leaving Jaguar at the rate of around 30 a week. The very skills on which the company is based are being allowed to disappear," Mr Holloway says.

He hopes BL will "respond reasonably" to the threatened action by allowing local negotiations. "We don't want to damage Jaguar or BL. We believe we make the best motor car in the world and want the chance to show we can do it profitably."

## Local authority staff to resume pay talks

BY PHILIP BASSETT, LABOUR STAFF

LOCAL AUTHORITY employers and unions representing 560,000 council white-collar staff who are taking industrial action over a 10-22 per cent comparability claim agreed yesterday to resume negotiations on Friday aimed at settling the dispute.

The employers are widely expected to improve their 6-12 per cent comparability offer at the meeting, following a 5 per cent concession made on Monday to a 12 per cent comparability offer for 6,000 council chief officers, which was accepted by the officers' side.

The chief officers' agreement means the employers will almost certainly have to match the 17 per cent figure at the top end of the white-collar staff's range.

Because of the spread of staff numbers towadrs the lower end of the scales, however, there is smaller scope for improvement at the bottom end. An increase of one or two percentage points to take the range to say, 8-17 per cent might be enough to secure acceptance.

The employers said yesterday the decision of the main union involved—the National and Local Government Officers' Association—not to intensify action immediately was taken as evidence of an intention by both sides "to negotiate in good faith to reach agreement as quickly as possible."

Friday's talks will be preceded tomorrow by a mainly technical meeting between the two sides on the comparability studies.

NALGO reported yesterday that, as expected, air traffic controllers at municipal airports, including Luton, had agreed in a ballot to strike for four days over Easter.

The union's strike operations committee also decided to ballot local authority meat inspectors on industrial action. This could disrupt meat supplies.

The committee agreed though, not to put the inspectors' ballot and any other forms of new action into operation until after the outcome of Friday's negotiations is known.

Up to 3,000 staff in local authority residential homes for the elderly and children's homes would not be taking part in industrial action, the Confederation of Health Service Employees said yesterday.

● The National Union of Teachers is stepping up its protest strikes against education cuts in the Avon education authority area. The union has been calling out its members for three days at a time at selected Avon schools for several weeks. But this week the number of schools affected has been more than doubled to 25 and tomorrow the union plans to call out all its members for a half-day strike at all county primary and secondary schools. So far, the action has not forced any school to close.

Avon has evidently been singled out for the NUT campaign because it was quick off the mark in implementing the Government's cuts in local authority spending.

## Adult jobless 'will reach 1.8m by end of year'

By Our Labour Editor

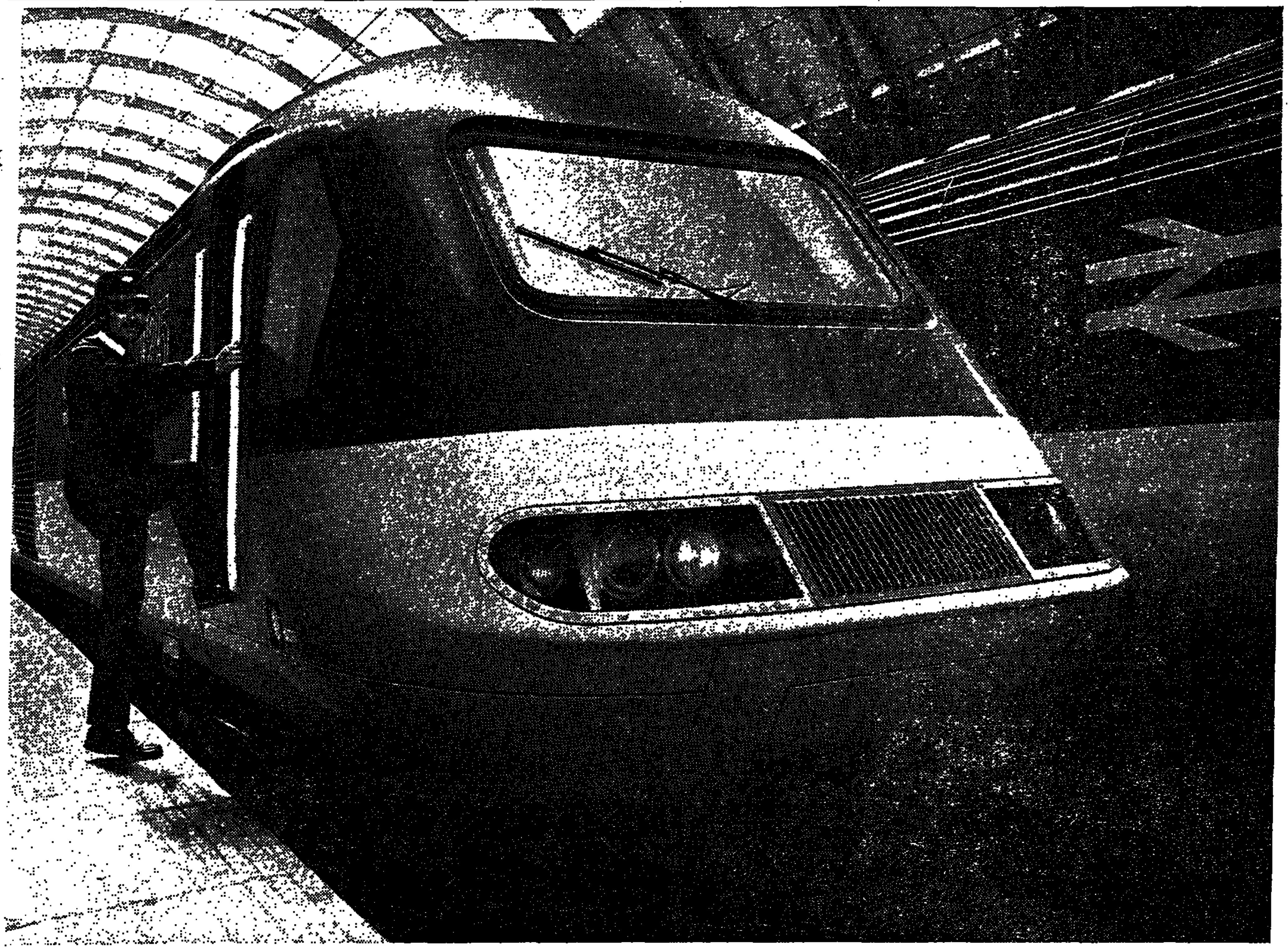
ADULT unemployment will reach 1.8m at the end of the year unless there is a change of Government policy, according to the Association of Scientific, Technical and Managerial Staffs.

In its quarterly economic review, published today, ASTMS says the real unemployment level, including school leavers and unregistered jobless, will be 2.2m, rising to 2.4m at the end of the fiscal year in April, 1981.

ASTMS predicts a fall of 2 per cent in consumer spending in the next 12 months and a fall of 3 per cent in gross domestic product. But it says an improvement in the balance of payments in 1980 will leave a deficit of £1bn.

## Cheap Easter Tube travel

FOR 10 days beginning on Good Friday, children under 16 will be able to travel any distance on the London Underground at a single flat fare of 10p. This concession for children already operates on Saturdays, Sundays and bank holidays.

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# UK NEWS—PARLIAMENT and POLITICS

## Commons row over Lawson's 'deceit'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A HEATED row blew up in the Commons yesterday over the way the European Commission's latest proposals on Britain's budget contribution had been announced by Mr. Nigel Lawson, Financial Secretary to the Treasury.

The Opposition accused him of deceit and claimed that he had "gravely misled" the House in giving an over optimistic version of the document during Monday's late night EEC debate.

Mr. Lawson rejected their protests as "a classical example" of "synthetic indignation."

Labour MPs were furious that he had not made the document available for the debate but had only published it yesterday afternoon. Following his announcement during the debate the Government had a big majority of 54 (125—71), in the early hours of yesterday. The House rejected a Labour amendment which insisted that Britain's contribution to the budget should not exceed the receipts.

Yesterday's row started when Mr. Peter Shore, Labour's Foreign Affairs spokesman, questioned Sir Keith Joseph, Industry Secretary, who was standing in for Mrs. Thatcher during Prime Minister's Question Time.

Mr. Shore said that Mr. Lawson had submitted the House "to what can only be described as a very deceitful and indeed cowardly course of action."

The Commission's document had been deliberately withheld, he said, and as a result the vote had been cast on totally inadequate evidence.

He demanded a forthright statement from Mr. Lawson to clear the matter up.

Sir Keith replied: "The document itself is quite a useful contribution and can form the basis of ministers' discussions."

There were jeers from Labour MPs at the contrast between Sir Keith's cautious words and Mr. Lawson's claim that the proposals could form the basis of an adequate and acceptable solution given the political will among member states.

Sir Keith said that he believed completely in the integrity of Mr. Lawson who was "on all occasions a vivid and vigorous speaker."

The matter was taken up by Mr. Michael Foot, Labour's Shadow Leader of the House, who said the debate had taken place under false pretences.

"We believe this House has been gravely misled by what happened last night," he said. "It does affect to a very considerable degree the amount of money that may be available to the Government in the Budget tomorrow."

Mr. Harry Ewing (Lab., Stirling and Falkirk) said the EEC had since issued a statement saying that the contents of the document bore no relation whatever to the interpretation put on it by the Financial Secretary. The EEC headquarters had been inundated with calls from member states asking if a secret document had been sent to the UK.

There was also criticism from the Conservative side of the House. Mr. Nicholas Winterton (C., Macclesfield) protested that there was no point having a debate if the most up to date documents were not made available to MPs.

In a brief intervention, Mr. Lawson said that it was a new document which had only reached him on Friday. He had referred to it during the debate because he thought it would be of benefit to the House. It was up to the scrutiny committee to decide whether the new document should be debated.

Returning to the attack, Mr. Shore complained that Mr. Lawson had guided the debate on an optimistic interpretation of the document. After complaints from the Tory benches, he withdrew his allegation that Mr. Lawson had acted in a cowardly fashion but added: "I would hardly say he behaved in a lionhearted way."

He thought that Mr. Lawson's intervention in the exchanges "show just how thick-skinned and insensitive he is."

The dispute ended with Mr. Bernard Weatherill, the Deputy Speaker, promising that he would examine how and when the EEC document arrived.

## Healey calls for less strict fiscal policy

By David Marsh

MR. DENIS HEALEY, the Shadow Chancellor, yesterday urged the Government to loosen its monetary and fiscal policies to avoid driving Britain deeper into recession.

He told a luncheon in London organised by the Radio Industries Club that Britain's basic economic position was benefiting significantly this year from the large increase in North Sea oil prices. But in fact the country's prospects were worse than those of its main competitors because the Government was persisting with its "extremely strict fiscal and monetary policy."

Mr. Healey said the Government should aim for a public sector borrowing "significantly higher" than the figure of between £8bn and £8.5bn it is believed to be planning for the next fiscal year. It was "absolute bunkum" that the only way to bring down interest rates was to cut government borrowing.

At a time when the proportion of disposable income going into savings was hitting a record, and the economy was operating well below capacity, it would be very dangerous to cut government borrowing further.

Mr. Healey also recommended a relaxation of the Government's monetary stance. This was at present far too restrictive as growth in the money supply was being constrained well below the inflation rate.

Increases in government revenue owing to higher oil prices—which he estimated at £4bn this year—should be channelled into helping private industry improve its efficiency. Spending the money on tax relief or improving the improvement of benefits would simply boost demand for imports.

## Unions should provide strike benefits—Prentice

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A TOTAL of £8m has now been paid out in supplementary benefit to the families of the striking steel workers, Mr. Reg Prentice, Miniser for Social Security, told the Commons yesterday.

He confirmed that the Government will shortly announce proposals to cut back on the amounts of such benefits by assuming that the unions pay a certain sum in strike pay.

Mr. Prentice said the proportion drawing social security benefits during the steel strike was larger than usual. This was because of all the unions involved, the Transport and General Workers' was the only one giving strike pay.

There were Labour shouts of "disgraceful" when he said "the Government takes the view—and I am sure the majority of the public takes the view—that if people are on strike, then they, as individuals, or their trade unions should make provision for the needs of their families."

It would save public money if the unions acknowledged that they had a traditional and historic duty to help maintain the families of their members during an industrial dispute.

The Government's' proposals on strikers' benefits were also defended by Sir Keith Joseph, the Industry Secretary.

He said the Government did not believe it right that the unions should be able to count on the taxpayer to support the families of strikers.

"We believe that the vast majority of the country agree with what we propose to do," he declared.

Sir Keith was replying to Mr. Dafydd Wigley (Plaid Cymru, Caernarvon) who warned against any attempt to starve men back to work by reducing benefits.

PRENTICE: confirmed new proposals

Mr. John Butcher (C., Coventry South West), pointed out that a recent TUC report said that the unions spent an average of 88p per head on strike pay and £9.72 per member on administration.

Sir Keith replied: "We think it only fair that when strikes are called, the unions should bear more of the cost than they do now."

During questions, Mr. Jeff Rooker, a Labour Social Security spokesman, claimed that it was untrue that social security "scroungers" were getting £200m a year from the State. He maintained that the Government had based its statistics on the figures for shoplifting.

He challenged Mr. Prentice to say whether the figure of £200m had been "conjured up" by asking department stores of their average estimate of loss through theft.

Mr. Prentice told him that it was known that department stores and large commercial organisations assumed a loss through fraud or shoplifting of 1 or 2 per cent.

"Applying that to the DHSS with its expenditure of some £20bn a year leads to a figure of £200m as an estimate," said the Minister.

His remarks sparked off angry protests from Labour MPs. Mr. Stan Orme, shadow Social Security Minister, said it was ludicrous to compare social security fraud with statistics for "Marks and Spencer."

Mr. Prentice maintained, however, that the response from the Labour benches suggested that they were "on the side of the scrounger against the honest taxpayer."

● Mr. Arthur Scargill, the Yorkshire miners' leader, said yesterday that he will, after all, give evidence on picketing to the Commons Employment Committee on April 2. There had been doubt whether he would attend because of his objection to being limited to answering questions instead of making a full statement.

He said he would now be allowed an initial oral submission covering all aspects of picketing and the Employment Bill now before Parliament.

## Youthaid appeal to PM on unemployed

By Lisa Wood

AN EVE OF Budget appeal has been made to the Government to reconsider its "callous, unjust and cruel" proposals to cut benefits to the unemployed.

Miss Clare Short, director of Youthaid, a nationally based research and pressure group concerned with youth employment, has written to Mrs. Margaret Thatcher to make the appeal.

In the letter, Miss Short said it was hard to believe that the Prime Minister was convinced that the level of benefits provided a disincentive to work. She said that according to Parliamentary answers, it was known that only families with very low earnings may be better off on benefit if their work. Families with one, two or three children would be better off on benefit if their alternative was a job paying £35 a week and then would only be better off by £1.99. "Surely you do not expect such families to live on less than this," asked Miss Short.

Youthaid said that earnings-related supplementary benefit was paid to only one in six of the unemployed and was never more than 85 per cent of the previous year's wages.

It suggested that the abolition of the supplement which is paid for the first six months of unemployment would not increase incentives to work but would increase the poverty and bitterness of those who lost their jobs after paying their national insurance contributions for many years.

## Planning Bill in further trouble

BY ROBIN PAULEY

THE GOVERNMENT is again trying to placate immovable local authority fears about the effects of its new rate support grant proposals.

The plan, contained in the Local Government Planning and Land Bill, ran into further trouble yesterday in committee stage when a Tory member refused for the first time to vote with the Government.

After another prolonged Opposition attack on the Government's plans led by Mr. Roy Hattersley, Opposition spokesman for the environment, Mr. Tom King, Local Government Minister, offered an olive branch to local authorities.

"I am aware of the anxieties about possible implications in the theoretical ways in which block grant might be operated. While committed to the principle, the Government is prepared to consider further constructive amendments that could incorporate any additional safeguards.

"Our hope is that the local authority associations will now concentrate on the specific proposals that they would like to see which could improve the Bill, he said.

The local authority associations, all of which are Tory-controlled, have already produced an alternative plan to block grant which the Government rejected out of hand. The local authorities were so disillusioned with the Tories in Government that they tabled all their amendments to the Bill through the Labour opposition.

"If he wants to confirm that he is a man of honour, all the Minister has to do to bring about his promise to the local authorities is to vote for some amendments," Mr. Hattersley said.

The offer to accept constructive, improving amendments would turn out to have been bogus if the Government only accepted amendments which would turn the Bill from "unacceptable nonsense" into a workable scheme, every bit as objectionable in principle, he said.

Mr. Hattersley also urged Mr. King to provide the committee with documents, some of which had already been leaked to the Guardian newspaper, showing some of the alternative methods of operating the block grant which the Government was considering.

He was supported by Mr. Robert Cant (Lab., Stoke on Trent) who said he had never sat on a committee so poorly supplied with information. Under great pressure, the Government had supplied a four-page document on the background to the block grant proposals. But there were obviously many detailed papers, none of which the committee had seen.

KING: offered an olive branch

Mr. Hattersley said the documents, which he had seen, showed that any suggestion that the Government is attempting to evolve a simpler form of grant distribution is nonsense; that the Government proposes to construct the most detailed analysis of local government expenditure and make judgments about what expenditure is or is not justified: and that the Government has no clear view as to how that aim is to be achieved. Indeed, the scheme is being made up from day to day.

Mr. King promised to consider the request for the documents. On what was the Government's unhappiest day on the Bill so far, the committee then voted on the first clause on the new system of rate support grants. Mr. Robin Squire (C., Hornchurch) broke the long Tory backbench silence on the committee by announcing he could not support the Government. He abstained.

Mr. Squire said local government had shown itself to be better able than central government to keep to expenditure guidelines. The present system of funding local authorities was not in need of fundamental change and he opposed the plan to introduce a standard national expenditure figure for authorities.

"I question whether these proposals are proper functions of central government rather than local government," he said.

## Assisted places scheme

THE NUMBER of independent schools now interested in operating the Government's assisted places scheme is 468, Baroness Young, Education Minister of State, told the Lords yesterday.

During the report stage of the Education Bill, which sets up the scheme, she described the response from schools as "very satisfactory."

Former direct grant schools accounted for 120 of the interested schools and another 338 were independent schools.

Boys' schools had offered 5,894 places, girls' schools 5,315 places, and mixed schools 1,928 places.

But Lady Young stressed that these were only offers and the Government had not yet decided which schools would be finally selected to participate in the scheme.

Local authorities will not be compelled to pay the travelling expenses of children taking part in the scheme, the Earl of Mansfield announced

## Sale of freight interests confirmed

BY IVOR OWEN

IN THE teeth of Opposition protests, Mr. Norman Fowler, Minister of Transport, reaffirmed in the Commons last night that the Government intends to give private investors the opportunity to acquire a controlling interest in the National Freight Corporation.

Denationalisation, he insisted, offered the best prospect for securing an expanded and more prosperous role for the Corporation's 50 or so subsidiaries which range from road haulage and cold storage interests to a travel agents business and include British Road Services, National Carriers and Pickfords.

Mr. Fowler called on the Commons to reject an Opposition attempt to add a new clause to the Transport Bill designed to keep the controlling interest in the NFC in the public sector.

It was the Government's firm view, he said, that there was no reason whatever why the State should be involved in running a road haulage business, still less cold storage, removals or a travel agency.

### Bidders

Mr. John Prescott, who moved the new clause from the Opposition front bench, argued that unless the Government retained a controlling interest there would be nothing to prevent the most profitable sections of NFC being hived off.

Mr. Fowler emphasised that the Government had taken "a strategic decision" not to break up the NFC and sell it part by part to the highest bidders.

"What we want to do is to get into private ownership as a single entity without any major changes in the size or range of its interests."

But the Minister admitted that he could give no guarantee about the future of NFC after its return to the private sector.

He confirmed that the first stage in the denationalisation process would be NFC's transition from a public corporation into a Companies Act company.

This new company would be wholly owned by the Government and the timing of the disposal of the controlling interest in it would depend upon a range of factors such as stock market conditions and the track record of the company itself.

Mr. Fowler emphasised: "The overall objective is to sell off as quickly as possible the controlling interest in the company to the private sector."

He contended that the greater commercial freedom which denationalisation would provide would strengthen the NFC, improve the position of its employees and help the taxpayer.

But he was told by Mr. Walter Johnston (Lab., Derby S.): "The vast majority of the staff of NFC want nothing to do with this Bill at all."

When Mr. Fowler countered that the Board of NFC were content and happy with the arrangements which the Government were making, Mr. Johnston scoffed: "Their jobs are at stake—they have to agree."

The Opposition new clause was defeated by 270 votes to 217, a Government majority of 53.

## Increased haulier's permits

MR. NORMAN FOWLER, Transport Minister, announced measures yesterday which will help British road hauliers wanting to make journeys to or through Austria.

In a Commons written reply to Mr. Gary Waller (C., Brighouse and Spenborough), he said that following successful negotiations at a recent UK-Austrian Joint Committee, the quota of permits for 1980 had been increased to 3,950 from the 1979 figure of 3,700.

"This, together with a drop in demand for transit journeys following the reduction in road haulage to the Middle East, will enable us to lift current restrictions on the issue of permits for Austria, at least for the remainder of this year."


# COMPANY NOTICES

## UNION CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

RESULT OF A MEETING HELD TO CONSIDER THE SCHEME OF ARRANGEMENT ("THE SCHEME") BETWEEN UNION CORPORATION LIMITED ("UNICORP") AND ITS MEMBERS, OTHER THAN GENERAL MINING AND FINANCE CORPORATION LIMITED ("GENMIN"), ITS SUBSIDIARIES AND NOMINEES ("SCHEME MEMBERS")

On 19 March 1980 at the meeting of scheme members, convened in terms of an Order of the Supreme Court of South Africa (Witwatersrand Local Division) ("the Court") to consider the scheme, 97.3% of the scheme members present in person or by proxy voted in favour of the scheme. The scheme has subsequently been sanctioned by the Court. All conditions relating to the scheme have now been fulfilled and the scheme has therefore become operative. The listing of Unicorp's shares on The Johannesburg Stock Exchange, The Stock Exchange, London, The Rhodesian Stock Exchange and all other stock exchanges on which Unicorp shares are traded will terminate with effect from the close of business on 26 March 1980 and the existing Unicorp share certificates or other documents of title will thereafter no longer be good for delivery on those stock exchanges. In terms of the scheme, scheme members are entitled to receive 80 Genmin shares for every 100 Unicorp shares held at the close of business on 26 March 1980. A circular containing a form for surrendering Unicorp share certificates or other documents of title will be posted to scheme members on 28 March 1980.

Scheme members are requested to forward their Unicorp share certificates or other documents of title to:—

Johannesburg Transfer Office:
Union Corporation Limited
Union Corporation Building
74/78 Marshall Street
Johannesburg, 2001
(P.O. Box 61357, Marshalltown, 2107).

or

London Transfer Office:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

New Genmin share certificates will be available subject to the surrender of Unicorp share certificates on 8 April 1980.

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CENTRAL MERCHANT BANK LIMITED (Registered Merchant Bank) (Incorporated in the Republic of South Africa)

JOHANNESBURG, 26 March 1980

ROBECO

ROTTERDAMSCH BELEGGINGSCONSORTIUM N.V.

Robeco N.V. announce a Final Dividend of Fls. 9.00 per share of Fls. 50 (Fls. 0.90 per Sub-share) in cash.

BEARER SHARE WARRANTS WITH COUPONS ATTACHED

Coupons No. 78 accompanied by the appropriate claim form should be presented to the Company's Paying Agents, National Westminster Bank Limited, Stock Office Services, 5th Floor, Drapers Gardens, 12 Throgmorton Avenue, London, E.C.2, on business days between the hours of 10 a.m. and 2 p.m. Claims must be submitted by personal presentation. Postal applications cannot be accepted.

The dividend will be payable at Fls. 9.00 per share, less tax as appropriate, as from 8th April 1980, against surrender of Coupon No. 78.

Coupons presented by, or on behalf of, shareholders who are subject to United Kingdom Income Tax will be subject to Netherlands Dividend Tax at the rate of 15 per cent and United Kingdom Income Tax at the rate of 15 per cent on the gross dividend. Forms 92 VK will not be required in respect of claims lodged within six months of the payment date. Coupons No. 78 presented after 8th September 1980, must be accompanied by a completed Form 92 VK duly certified by the individual shareholder's Inspector of Taxes.

If the coupons presented are accompanied by the appropriate certified Forms 92 supplied by residents of Australia, Austria, Belgium, Canada, Denmark, Finland, France, The Federal Republic of Germany, Indonesia (reduction to 20% only), The Republic of Ireland, Japan, Luxembourg, The Netherlands Antilles, Norway, Singapore, South Africa, Spain, Surinam, Sweden, or the United States of America, Netherlands Dividend Tax amounting to 15% will be withheld. Forms 92 VS must be submitted in duplicate, signed by the applicant, but need not be authorised by the U.S. Inspector of Taxes.

Residents of Switzerland can apply for a partial refund by submitting a Form R-NL 1 to the Dutch Fiscal Authorities. This form can be obtained from the Eidgenössische Steuerverwaltung, Bern. Reduction to 15%.

Residents of Italy can have a full refund by submitting Form 92 IT, certified by their local tax inspector, to the Inspector of Corporation Tax, Wibaut Straat, 2-4, Amsterdam, with the relevant dividend note.

In all other cases Netherlands Dividend Tax at 25% will be deducted from the gross dividend.

Exemption from United Kingdom Income Tax may be claimed by lodging the usual affidavit certifying non-residence in the United Kingdom.

SUB-SHARE CERTIFICATES REGISTERED IN THE NAME OF NATIONAL PROVINCIAL BANK (NOMINEES) LIMITED

United Kingdom Banks and Members of the Stock Exchange should lodge claims together with the appropriate claim form, with the National Westminster Bank Limited, Stock Office Services, 5th Floor, Drapers Gardens, 12 Throgmorton Avenue, London EC2.

Payment of the dividend must be marked on the reverse side of the certificate in accordance with "Marking Name" procedure.

All other claimants must complete the appropriate listing form and present at the above address together with the relevant certificates for marking by the National Westminster Bank Limited.

These claims must be submitted by personal presentation. Postal applications cannot be accepted.

Income Tax requirements will be as shown above for Bearer Share Warrants.

The Record Date is 25th March, 1980.

The Dutch Currency will be converted on 25th March 1980.

Exchange and Marking Name Commission will be deducted. Payment will be made by National Provincial Bank (Nominees) Limited on or after 8th April 1980.

A further announcement will be made shortly giving full Sterling details of payment.

SHAREHOLDERS IN THE REPUBLIC OF IRELAND

Approved Agents in the Republic of Ireland may present coupons to the Company's Paying Agents there, Allied Irish Banks Limited, Registrar's and New Issue Department, 7-12 Dame Street, Dublin 2.

Claims on Sub-share certificates registered in the name of the Munster and Leinster Bank Nominees Limited should be lodged with Allied Irish Banks Limited, Registrar's and New Issue Department, 7-12 Dame Street, Dublin 2.

26th March 1980

CONVERTFUND INTERNATIONAL S.A.
société anonyme
37, rue Notre-Dame, Luxembourg
R.C. Luxembourg B 8129

NOTICE IS HEREBY GIVEN to holders of class A shares of Convertfund International S.A. that on or after March 26th, 1980, payment of a dividend of US$0.45 (forty-five cents) per share will be made against surrender of coupon No. 11 with one of the following paying agents:
—Kredietbank N.V., Bruxelles
—Kredietbank S.A., Luxembourgeoise in Luxembourg
—Banco Nazionale del Lavoro in Rome
—Crédit Commercial de France in Paris
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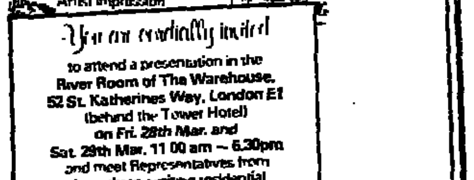

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The Ministry of Public Works and Housing is pleased to invite International and Local Consultants to submit offers for the open project on the Foreign Affairs building in Abu Dhabi.

All experienced consultants who have executed similar works of 50m UAE Dirhams or over and should like to participate in this tender should obtain the conditions and the programme from the Tender and Contracts Department in the Ministry of Public Works, Abu Dhabi and Dubai, during working hours from 8.00 am to 2.00 pm as of Saturday 16/2/1980 against the sum of DHS 3,000 (three thousand Dirhams). Offers should be submitted to the Ministry office in Al Butain, Abu Dhabi not later than 12.00 noon on Sunday 25th May 1980.

Mohamed Khalifa Al Kindy
Minister of Public Works & Housing

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

## Wind power study

W. S. ATKINS is to study the feasibility of producing energy from large-scale aerogenerators in the UK — despite early unfavourable official reactions — and will assess the potential power output and cost of proposed projects.

This follows the company's appointment as consultant and adviser to the Department of Energy's wind energy research and development programme.

Throughout this assignment. Atkins will be assisting the Energy Technology Support Unit (ETSU) located within the UK Atomic Energy Authority's establishment at Harwell. ETSU is managing the programme on behalf of the Department of Energy. independently of nuclear power lobbies. Atkins believes.

In addition to studying both horizontal and vertical-axis wind turbine designs. Atkins will investigate new ideas for wind energy conversion devices and how to use the power produced. It will also advise on suitable UK sites for aerogenerators—both on land and off-shore—and inspect existing installations. To help achieve this Atkins will liaise with other British and foreign organisations working on wind energy projects or related research programmes.

If required, Atkins will also help to establish official UK standards for the construction and performance of wind energy devices.

Atkins already has experience of alternative-energy projects, including consulting work on a proposed wind-turbine powered ship, solar energy and geothermal heat sources—as well as having submitted recommendations to a government select committee on a proposed Severn barrage scheme. It has also prepared heat-load maps of the GLC and Merseyside areas, and regularly performs industrial energy conservation surveys.

W. S. Atkins, Woodcote Grove, Ashley Road, Epsom, Surrey. 03727 26140.

● TRANSPORT

## Speeds pedestrian access

DOOR OPENERS whose invisible beams detect people approaching from up to five metres away are making life easier for passengers and personnel at Heathrow Airport announces Warner Electric, St. Helen Auckland, Bishop Auckland, Co. Durham (0388 4000).

Developed from the company's range of intruder alarms, one of the three-dimensional beam sensors is activating sliding doors at the Calshot Road side of Terminal 1 where as many as 7,000 operations a day are being recorded at each door.

Designed to match aluminium door frames, the sensor installed at Heathrow is above a "Way Out" sign, is fixed with two screws, operates on AC or DC power to activate sliding or hinged doors regardless of angle of approach, and is fully supressed against interference.

Close proximity police, ambulance, and taxi radio signals do not affect it, and the company says the device can be as much as one third cheaper to fit than a typical pad-activated system which can suffer from breakdowns due to the ingress of water—or be damaged by heavy trolleys causing electrical short circuits.

Sensors can be mounted alternatively inside suspended ceilings as they can "see" through most false ceiling materials.

Apart from the output relay, there are no moving parts, and the printed circuit board and transmitter horn are easily removable. No special tools are required for adjustment or setting up and controls can be adjusted by hand—for coverage pattern, angle of transmitter horn and door hold-open times.

Voltage range is 10.5V to 15V DC/AC 50 or 60 Hz and consumption is 2.5 VA.

Company says that its sensors have been exported to France, Germany and Switzerland where they are operating doors in supermarkets, stores and hospitals.

● IN THE OFFICE

## Plain paper copier

RICOH has announced its entry in Europe into the dry toner plain paper photocopying market, with the introduction of this product at the 1980 Hanover Fair in April.

Ricoh has 25 years' experience in the design, production and marketing of copiers. During the past three years, its total sales worldwide of photocopiers, both dry toner and liquid toner have grown by 112 per cent, to $610m and new installations of Ricoh machines have exceeded those of all their nearest competitors in each of the past three years, the company claims.

With more than a 40 per cent share of the Japanese domestic plain paper copier market, Ricoh is the country's largest ppc manufacturer.

It also is Japan's main producer of office equipment and systems. In the fiscal year ended March 31, 1979, the company registered nett sales equivalent to $1,079m of which overseas sales accounted for 33.6 per cent. The company's major product lines are in four sectors of office equipment and systems — text preparation, reproduction, business communications and information storage and retrieval.

## English or Arabic

ELECTRIC golf ball typewriter equipment which can produce correspondence in either Arabic or English "at the flick of a switch," is available in the UK following its launch by the Office and Electronic Machine Group, UK distributors of Adler, Imperial and Triumph office equipment.

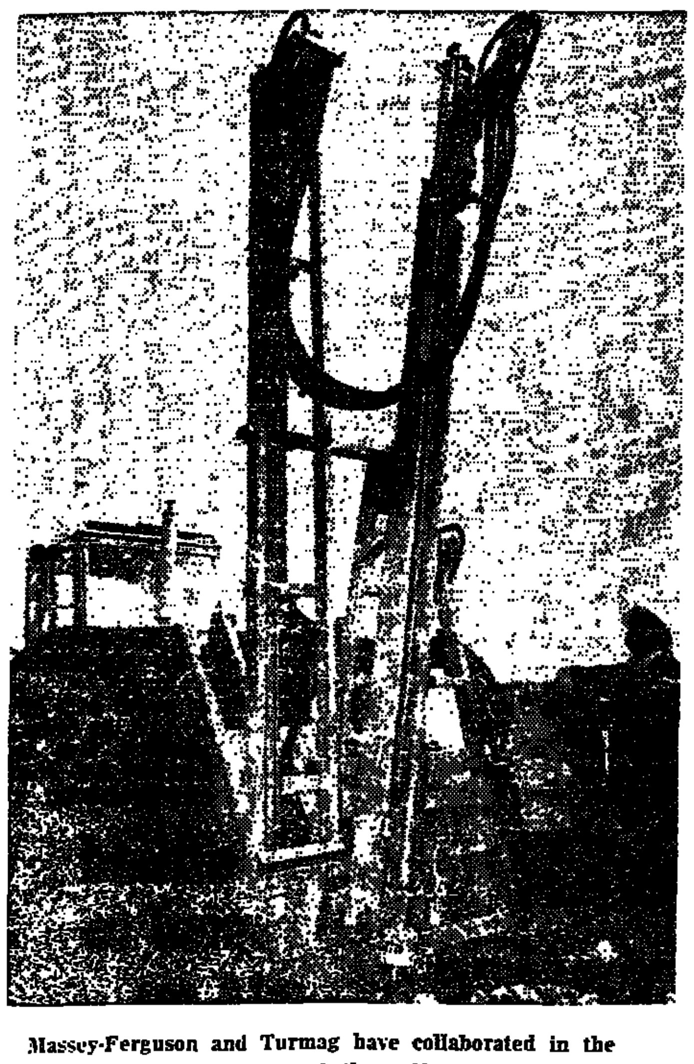
Aimed primarily at those import and export businesses, either in—or dealing with—the Middle East, the new Adler SE 1000 "Arabic" can be converted from Arabic to English (and vice versa) in three simple movements which will take the operator no longer than a matter of seconds.

By placing a special "English overlay" on the Arabic keyboard, moving the switch from Arabic to English, and changing the single typing element—the equipment is ready for use. When used for Arabic correspondence, the unit will automatically type from right to left.

Believed to be the only one of its type on the market, the new Adler SE 1000 "Arabic" is available only in 10 pitch.

Office and Electronic Machines, 140, Borough High Street, London, S.E.1. 01-407 3191.

● CONSTRUCTION



Massey-Ferguson and Turmag have collaborated in the design and development of the self-contained tractor rig shown above. It is capable of drilling 75 mm diameter holes in marl gypsum to a depth of 25 metres. Rates of penetration are between 1.5 and 2 metres per minute. The Turmite rotary hydraulic drill and its 3 metre feed framework are mounted on a rig which fits on the fork attachment of an MF250 industrial loader fitted to a 62 hp MF50 tractor. The loader rig can provide vertical drilling, three-point reaction to ground and tolerance up to 15 degrees of slope in any direction. Massey-Ferguson, Banner Lane, Coventry CV4 9GF. 0203 472897.

● HAND TOOLS

## Saws will last longer

PROFESSIONAL products division of Black and Decker has introduced a new range of holesaws, with several advantages over the standard high speed steel models.

The new saws have impact-resistant alloy steel bodies welded to high speed steel teeth. They are suitable for work on most industrial and building materials including steel, brass, bronze, cast iron, copper, aluminium, plastics, natural timber and manufactured boards.

Long barrels give up to twice the depth of cut possible with the previous all-high-speed steel holesaws. Cutting is fast and clean, and working life up to double that of the superseded range. Bi-metal holesaws are designed to fit existing 8, 10 or 13mm mandrels, according to their size, but they have the advantage of a longer pilot drill and an improved clamping arrangement.

Suitable for use in all power tools with chucks, whether electric or pneumatic portable or stationary, the new saws are coloured a distinctive green.

There are 15 sizes ranging from 19mm (¾ in.) to 76mm (3 in.).

Black and Decker, Bath Road, Harmondsworth, Middlesbrough. 01-759 2411.

● DATA PROCESSING

## Convincing the customer

COMPANIES in the UK who sell products or services where a relatively modest number of invoices are required at the point of sale or distribution and who currently rely on time-consuming manual methods will now be able to produce them automatically thanks to new equipment from Adler Business Computers (ABC) part of the Office and Electronic Machines Group (140 Borough High Street, London SE1).

TA "Invoicer" is a stand-alone electronic typewriter which will automatically undertake all repetitive typing of items such as product descriptions, prices, discounts and VAT—thereby reducing invoice preparation time by anything up to a half, while helping also to eliminate the possibilities of inaccuracies caused through human error.

ABC will supply user companies with tailor-made software for use with the equipment which will be prepared to suit each customer's requirements.

The information on which this specific software is based, will be provided by the customer himself, before he makes any commitment to purchase, from a special survey despatched by mail to interested parties.

Becoming his own "business analyst," the potential customer will complete a simple two-part survey-questionnaire.

Side one will quickly reveal to enquirers the total time spent in preparing their current invoices, particularly with regard to the complications of calculating all the variable information. By comparing this total with the final figures from the second form, which reveals the reduced time expended when the Adler Invoicer is used, ABC hopes to provide the customer with as much visual evidence as he needs to show that he should make the purchase.

When the survey has been returned to ABC, and the tailor-made software produced on its own macro-assembly computer for despatch back to the enquirer, the ABC agent will make personal contact in order to affect a sale or provide further information.

This service will be available to enquirers in London and the Home Counties from April 1, and on a national basis from May 21.

Designed primarily for companies employing up to 100 staff in businesses like the distribution, wholesale, travel or export industries where invoicing documentation is needed when a sale is made, ABC says that this is the first time that a marketing approach has been made where no salesman crosses the threshold and where instead the customer is given a chance to convince himself of all the benefits in his own time.

Copies of the survey are available from the Marketing Department, Adler Business Computers, 140, Borough High Street, London SE1. (01-407 3191.)

## Lessens routine work

PURSUING ITS policy of providing computer systems for specific professional users, MBS Data Systems is making a new offering based on the Jacquard J100 minicomputer which will deal with many of the chores and labour-intensive typing work that can be so costly in accountancy practices.

Software has been developed in conjunction with Malpas and Simmons, a Bournemouth firm of accountants having 13 partners and five branches, although MBS points out that it can be used with equal efficiency by a sole practitioner.

All the main routines of accountancy work can be processed including time recording, incomplete records, client register, payroll, work in progress, debtors ledger, purchase ledger, nominal ledger accounting, VAT returns and so on.

However, at any moment the user can revert to word processing in order to produce the considerable numbers of similar letters with only a few changes of detail that are common in such work. Almost any manipulation of the text is possible, and the word processing programs are linked to the computing routines for data extraction.

In addition, for servicing clients' needs the computer can undertake such management tasks as order processing, sales ledger, purchase ledger, stock control and nominal ledger.

A basic workstation consists of screen and dual floppy disc store in the same housing, removable keyboard and a separate printer (up to 300 lines/min.).

The Jacquard system software allows any numbers of users to make simultaneous use of programs in the memory of the central processor. Thus, when the work load expands work stations can be added or switched without causing system overloads. Processing power is distributed among all the tasks concurrently so that each operator can obtain simultaneous answers.

MBS Data Services is at Madeira Road, West Byfleet, Surrey KT14 6BA (09323 53151).

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● COMMUNICATION

## Links with the telex

WORD PROCESSING and transmission of text over telephone lines can be achieved with the Vitel visual display terminal from ATS Communications, Bridge Road, Haywards Heath, Sussex RH16 1TY (0444 52377).

Basis is the editing ability of the terminal and the fact that it can operate in five and eight unit codes at the same time.

An associated floppy disc unit holds standard text or letters and these can be brought up on the Vitel screen, via the eight unit (ASCII) input port. Some 400 lines of text can be thus fed in to the Vitel solid state memory, seen on the screen and edited or have variable data inserted. Then, the 400 lines can be transmitted out of the five unit code port either to the telex network via a suitable Post Office interface or into the phone network via a modem.

The terminal can also act as a monitoring converter, taking output from an existing word processor (ASCII) and converting it five unit telex code, automatically re-formating it to the 69 characters per line needed for telex.

● MATERIALS

## Solvent has many roles

LOW AROMATIC solvent with Exsol D230/260 is a new high boiling solvent suitable for the manufacture of printing inks.

In addition to the value of its high boiling characteristics to the printing industry, the new solvent, which is colourless with a high flashpoint, low evaporation rate and very low odour, has many advantages for the manufacture of pesticides and cleaning agents.

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# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

John Lloyd reports on the manufacturers hoping to benefit from 'a better phone system'

## SPC PABX rules, OK?

A FEW people will know what these two sets of initials mean. A lot more will recognise the second set. The fact that many will not recognise either is perhaps a sign of a new "two cultures" dichotomy in British industry and society, composed of those who understand something about computers and associated technology, and those who do not—a growing phenomenon worthy of the attention of Lord Snow, or a successor as acute.

An SPC PABX is a stored programme control private automatic branch exchange, or a computerised office switchboard or, when you get right down to it, a better phone system. That is one reason it is important, and why more of us will begin to know the acronym; there are others.

It is important to those who are already buying the systems, and will do so in the future, because better communications means more efficient operation. This piece of Henry Ford-type wisdom might receive general assent, but is not as much acted upon as you might think.

European managers and officials do not telecommunicate well compared with their U.S. counterparts, at least in part because they have not been as well "telecommunicated." But the new computerised systems offer such facilities as putting through a call when an extension ceases to be engaged, abbreviated dialling for frequently used numbers, "bleeping," conference calling (three or more on a common circuit) and so on; *meanwhile cost and/or* security conscious managements will get automatic call records and can bar staff from trunk or international calls if they think they don't need to make such calls, or if they don't trust them. These systems are more reliable (because integrated circuits have replaced many moving parts) and are cheaper and easier to maintain.

All this, of course, increases *office productivity, which* can only be a good thing.

*It is important* to those who are making the systems, obviously, because the Western European market is already large and is expected to reach $2.3bn *this year, of which* computerised exchanges will account for 65 per cent. The established telecommunications manufacturers now all offer, or are *about to offer*, SPC exchanges as one of the prime features in their range, and there is fierce competition between them.

Developing a *computerised* exchange system is a fearfully expensive and technically *demanding operation, especially* if you want it to sell in more than one country; that means engineering a piece of equipment which interfaces with *national telephone systems* with sharply different rules and standards. Altogether, it gives your systems designers a headache or, as they would say, a nightmare.

What all this boils down to is that the investment must be careful, the development must be terribly clever and the marketing strategy, which *will recoup the costs, must be* red hot.

Finally, it is important to the electronics industry, and even conceivably to the nation; that is because computerised exchanges are very high technology and are seen by many, both manufacturers and users, as the foot in the door of the office of the future.

The office of the future is a piece of jargon which manufacturers scorn but which they are all working flat out to achieve. It is (by definition) not yet here, and will not arrive all in a lump—although it is ridiculed because some comment has suggested it will.

But bits and pieces, like the new exchanges and like word processors, are coming in. *PABXs with stored programme* control are already part-computers, and can be *adapted, or developed,* to handle inter- and intra-office information switching and storing, making them the hub of the office of the future when it becomes the office of *the present.*

At the same time, the big electronics companies are preparing for the new market. Last week, Philips reorganised its four UK subsidiaries into one division, significantly named Philips Business *Systems. The new creation* now manufacturers telephone exchanges, office and dictation equipment, word processors and small computers and terminals. Other national subsidiaries of the Dutch multinational may follow the British lead.

A MASSIVE range of manufacturers, from previously distinct industrial sectors like typewriters, computers and telecommunications, is *now* jockeying for position in a market which promises to become *extremely cut-throat, offering* lucrative prizes for the winners and mountains of debt for the losers.

It is not only the makers of switchboards and word processors which are muscling into the business, but suppliers of personal keyboards and visual display units, communicating copiers, videophones and, of course, far more computers and mini-computers than are currently installed.

With all this gadgetry at their elbow, office workers will soon be operating equipment as expensive and complex as their shop-floor counterparts. Which is why the suppliers of computerised PABXs are so keen to get their foot in the door; *selling such exchanges* to a company which may later connect them to other electronic gadgets *does not ensure that you will be* able to supply all the extra equipment, but it certainly gives you an edge.

The UK market is no more of a test case in this regard than any other, for all national markets, to the manufacturers' chagrin, display lots of unique *features. These include* the general willingness of companies to invest in office equipment, the strength of local manufacturers relative to that of the multinationals, geographical size of the market and efficiency of physical communi*cations. However, the largest* element is the power of the telecommunications authority.

The British Post Office (which will shortly become two corpora*tions, one for posts and one for* telecommunications) has historically been a tough nut for manufacturers to crack. Technical standards are at least as high as those in other countries—the Post Office would say higher—and approval to sell equipment can take a notoriously long time (it is becoming shorter as the corporation tries harder to react to the market).

It has a monopoly on the supply of all PABXs up to 100 *lines (they account for 90 per* cent of all systems, and 70 per cent of office lines)—which means that the manufacturers supply to the Post Office, which then sells the equipment to the customer — it maintains all equipment, whether supplied by it or not, and, of course, it supplies all telephone sets and most other attachments, though it is likely that this monopoly will be breached in the coming year.

The marketplace itself is dominated by the multinationals. IBM took the lead in the early 1970s with the "3750" exchange: it has around 200 systems now installed, of which about half are in London, and has recently introduced the "1750" for the smaller office market.

ITT, the historic rival to IBM in size and increasingly in pro*duct has, in the past two years,* introduced the Unimat system, ranging from the small office 4020 to the big 4080s. It is thought to have no more than 10 pilot installations, but to *have an order book of better* than 50.

Philips introduced its EBX system to the UK in 1978, and received PO approval for it last December. It has *around a* dozen systems installed, marketed through its Pye subsidiary. Pye had worked on *its* own system, but it was reckoned the EBX was better, or more economical, so the Pye design was scrapped.

*The General Electric Company* (GEC) markets a system known as the SL1: the technology has been developed by the Canadian company, Northern Telecom, and the first few systems were imported from Canada. However, GEC has a manufacturing licence for the SL1, and is building up production of it in Coventry. *Post Office approval is "on its way,"* says the company, and it claims it is selling well.

### Lost out

Plessey has also licensed, rather than developed, its PABX, helpfully known as the PDX: in its case, the technology is taken from the U.S. company Rolm. Plessey claims that all the manufacturing is now done in the UK, and it is thought that as many as 100 systems are installed or on order.

It could be thought from this abbreviated list of the major suppliers that Britain has "lost out" in the development of the new generation switchboards—but has it? It is the case that no system has been conceived, developed, manufactured and marketed by a British-owned company. However, that is only part of the point. The other *part is that PABXs are an excellent* example of the internationalisation of high technology products.

A particularly good example of this is the development of *ITT's Unimat range.*

Planning for the project, handled by the company's European business systems and communications group based in Brussels, began in *1972. It has* been the largest venture the group has taken on; of its 1,300 engineers, 900 were deployed on the Unimat at the height of its development.

The aim was explicit—to attack the total Western European market. *That* gave the group the selling area it needed to be profitable—but it also gave it its major headache (shared by others): how to achieve standardisation and compatibility with the widely differing requirements of the various PTTs. The advantage possessed by ITT (which again it shares with other multinationals, especially IBM) was the European-wide spread of its research and manufacturing effort.

In this respect, the UK did rather well. Project management and systems engineering was controlled from the company's IDEC software centre in Potters Bar, the largest of its European facilities. IDEC set the standards for the whole range, churning out nearly 3m lines of software code in the process. The Bell Telephone *subsidiary in Belgium wrote* the 4040 and 4060 (medium sized systems) software under IDEC's *supervision, while hardware* development went to Standard Elektrik Lorenz in West Germany and Compagnie Générale de Construction Téléphonique in France.

IDEC is the particular care of Dick Holtberg, an American ITT man who *is* also Unimat's technical director. The software house grew, in the early *seventies, out of ITT's old UK* engineering department, and it *has grown greatly; from 27 pro*grammers at the end of 1973, it now has 270. It has a high opinion of itself: it reckons to be among the best software houses in the country (and the UK was chosen as a major base because of the relative advancement of computer *sciences in* the UK). "We're so far ahead of the market," says Holtberg, "that we've had to develop our own software tools."

Such claims by a *software* house can scarcely be tested by mere observation or general questions; the *success/failure* of Unimat will be a crude measure. As a comment, morale among its senior managers appears to be high. They also *boast distinguished records;* the older men have held down big jobs at such centres as Bell Labs or Ford U.S., while the younger have typically spent years in academic and/or applied research.

### Egghead

Yet perhaps to compensate for any nascent signs of eggheadism, and certainly to ensure that the subsidiary produces profits, great care is taken to emphasise that software *is a business. "Everyone* here has to comprehend that the aim is to make money," *says Dr. George Wells, IDEC's* technical manager, "And that means putting money in the front end (development)."

That heavy front-end investment means a long development process—six years in Unimat's case, while the marketing men *back in ITT's Brussels* headquarters tried to remain patient and understanding, assuring each *other that it was necessary if* the end product was to be thoroughly bug-free. There is another major reason, too: the software system, once developed, must be mass produced, in all its complexity.

A new piece of jargon has *been coined for this new* phenomenon; it is a "software system product," which Dr. *Geoff Bowden, an IDEC executive,* defines as "a large volume of system software where the complexity of any *system* is high, where the number of systems to be sold is high and where the lifetime of the system is long."

This is the nub of the matter. The Unimat, like the other systems, is a modern computer product. So it is the *software* which increasingly presents the challenges, uses large amounts of labour and costs a lot (software costs rise, while hardware *costs fall). It is these companies* which can mobilise, motivate and direct their software skills which will tend to take the edge in the marketing *of new communication products.* These companies will, in turn, tend to be multinationals.

There are other reasons which support this tendency. A six year development period — typical for this product — requires massive funding. That *funding can only be recouped* by massive marketing. And the products can only be serviced by companies with international servicing networks.

Against these arguments must be set the advantages of the domestic suppliers (who may also be exporters of systems, as in the case of the UK, though on a much smaller scale than the multinationals). These are: their knowledge of their "own" market; their generally *preferential* treatment by the domestic telecommunications authority; their generally more widespread sales and servicing organisations; and their usually extensive existing customer bases.

But the fact remains that domestic manufacturers, even very large ones like GEC, have found it better to licence than *to develop.* The business sense of the decision is not in question here (it cannot be *adequately judged); but the* inevitable consequences are that the licensing companies will tend to be later on the market (at the unlikely best they can only be second), that the experience gained in developing such crucial systems will be retained by others, and that market shares outside (and even inside) the home market *will be increasingly difficult to* maintain or expand.


## Company pension funds: the writing is on the wall for 'laissez-faire'

BY ERIC SHORT

THE VIEW that company pension schemes are the last bastions of "laissez-faire" in the UK has been put forward in recent years by several prominent trade unionists and Labour politicians, perturbed at the *complete absence of public* accountability of these schemes.

Occasionally, as with the current uncertainties created by the suspensions of the Electricity Supply Industry pension funds' investment manager and his deputy, the basis for public concern becomes *more general.*

There is certainly an incongruity in the present state of accountability of pension funds in general. In accordance with company law, a company has to prepare a set of accounts every year on its operation, going into considerable detail to present its current trading situation and financial health. Both shareholders and the *Department of* Trade can monitor these accounts to determine whether or not everything is satisfactory.

On the other hand, there is no statutory requirement for that company's pension scheme to present reports and accounts. No government body supervises the financial health of the scheme, or monitors its progress. The scheme has made very definite promises to its members—the employees of the *company—on payment due in retirement or on death in service.* Yet there is no central check on whether those promises can be met.

The need for statutory control is made urgent, at least in trade union eyes, by the fact that pension schemes are now one of the biggest sources of long-term finance. But no central authority checks the investment strategy of these funds, whose assets are now estimated to exceed £40bn and are growing by £5bn a year.

The case for pension scheme law on similar lines to company law, and particularly *life* company law, seems strong. The previous Government felt sufficiently concerned about the ability of pension schemes to meet their financial commitments for it to ask the Occupational Pensions Board to investigate the solvency of pension schemes, particularly in an era of inflationary conditions.

It is also expected that the *Wilson Committee will concentrate* on the accountability of pension funds. But is legislation the complete answer? One can look at the situation that has arisen in the U.S. and the effect there of a *legislative solution* to pension fund problems.

The Employee Retirement Income Security Act of 1974, known as ERISA, was enacted because of unease and complaints over the operation of pension schemes in the U.S. *There were endless complaints* from individuals as to their loss of pension rights resulting from stringent age and service requirements. Many pension schemes made no attempt to provide adequately for the benefits promised through accepted funding procedures. Self investment back into the parent company was widespread and there were flagrant financial abuses with the employment of pension fund money by a company or by a trade union for private purposes.

The original aim of the U.S. *Government was to impose* Federal standards on private pension schemes in regard to *the specific issues of funding* for the benefits and preserving benefits when employees *changed jobs. Such aims are* laudable and both are at present under consideration in the UK by the OPB.

There then followed so much lobbying by so many vested interests that the final version of ERISA was a splendid example of the definition of a camel—a horse designed by a committee. Its proposals for imposing financial solvency on pensions schemes have proved extremely onerous to employers. *And the sheer* volume of the reporting requirements, together with overlapping jurisdictions and the *resulting bureaucratic* tangle, has caused enormous headaches to the U.S. pension industry.

### No provision

The net result is that the larger employers in the U.S. have somehow coped with the requirements, although not very well, *simply* because they had no alternative. They had to maintain the scheme or face severe labour problems. But many smaller employers just gave up and stopped making pension *provision. Between the enactment* of ERISA and the end of 1978 around 25,000 schemes were terminated.

Could such a situation occur in the UK? The signs are that it is not likely. To start with the situation in the U.S. which brought about the formation of ERISA is very different from that in the UK. The fully *funded concept of pension provision* is widely accepted in the UK.

The monitoring of the financial health of pension schemes has been in the hands of the actuarial profession for decades. The absence of any *notable pension fund failures* is a silent tribute to the professional reputation of actuaries *and the willingness of* employers to accept the advice given.

The general consensus of actuarial opinion is that the Government should leave well alone. Actuaries consider that the present system works extremely well. So far the Government has accepted that view.

Where a company pension scheme is contracted out, all that is necessary for the scheme to show that it can meet the equivalent state pension benefits is a certificate from the actuary stating just that.

By contrast, in the opinion of some UK actuaries, the actuarial profession in the U.S. "did not come over as well as it should have done" in the considerations of ERISA. Consequently, the actuary in the U.S. has to have Government approval and the bodies controlling the profession have somewhat lost their credibility.

But under the present circumstances in the UK an employer does not have to follow the advice of his actuary. He need not increase his con*tributions if the actuary's valu*ation shows the fund is not 100 per cent solvent. There is *a strong case for a central body* to supervise solvency of pension funds, just as the DoT supervises the solvency of insurance companies. (In such cases, the life company's appointed actuary is still the lynchpin in solvency investigations.) This should be the case in any proposed pension scheme legislation on solvency.

The final argument against legislative controls is that it *increases administration* and sends costs soaring, thus provoking the question whether this provides value for money. Many traditional life companies have confirmed that costs have soared through complying with legislation and have questioned whether their policyholders have benefited one iota from the supervision.

*But if one is putting the* security of pension benefits as paramount, then some super*vision is inevitable* and the price paid can only be acceptable.


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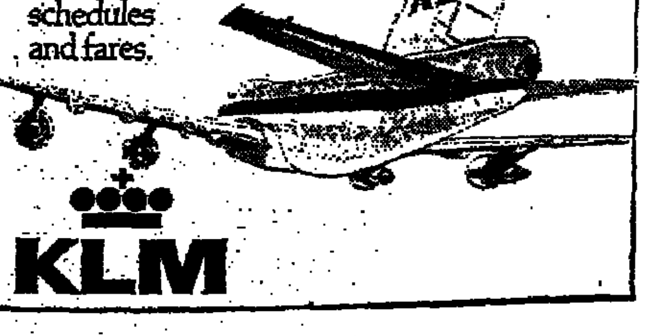


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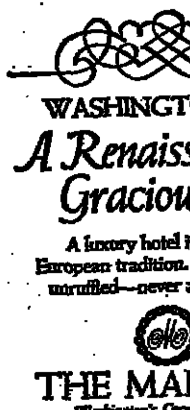

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# Public sector risk capital

BY ANATOLE KALETSKY

THE GOVERNMENT'S insistence that a Channel Tunnel will only be built if it can be financed by "risk capital" from private investors, may, paradoxically, turn out to be a shot in the arm for Britain's state-owned industries. For the Transport Secretary, Mr. Norman Fowler, has suggested that the Chunnel scheme proposed by British Rail and the French SNCF may be the one which finally wins Government approval. If this occurs, the precedent of a public sector investment project being financed by private sector risk capital, could usher in a new era of expansion for all of Britain's capital-hungry nationalised industries.

*Several other enormous public* sector investments including the revived nuclear power programme and the North Sea gas-gathering pipeline, are now coming forward for Government approval. And Ministers who have, in the past, been instinctively hostile to state ownership, are beginning to realise that restricting unduly the nationalised industries' access to capital could seriously jeopardise Britain's future industrial fabric.

## Recognition

There may, therefore, be a growing recognition over the coming months that new methods of financing will be required if desirable investment *opportunities are to be* exploited without putting embarrassing pressure on the Government's targets for public spending and borrowing.

Currently all nationalised industry investment has to be financed either from internal sources—retained profits and depreciation—or by borrowing from the Treasury. This borrowing is regarded as part of the public expenditure total that the Government is committed to reducing. In theory a nationalised industry's investment plans should be governed by the *rate of return it can secure from* new investments, and by its financial targets. In practice, however, the need to reduce public borrowing often takes priority.

The justification for restricting the nationalised industries' abilities to borrow and invest is that public borrowing preempts capital which could be used to finance private sector investment. But this rationale disappears if the sectoral distinction that is most important economically is not between "private" and "public" ownership, *but between "marketed"* and "unmarketed" production, or between "investment" and "consumption."

Between them, the nationalised industries account for 10 per cent of Britain's GNP and around 25 per cent of industrial investment. Thus, imposing artificial restraints on their investment programmes is a very perverse way of trying to stimulate industrial investment generally. Nevertheless, there would be dangers in giving them complete freedom to raise unlimited amounts of capital in the market.

The capital markets could normally be relied on to allocate investment between the nationalised and private industries. *But the public sector has* certain advantages which would have to be eliminated before the competition for funds could be described as fair. At the moment, the nationalised industries *benefit from government* guarantees on their debts and could, therefore, borrow at rates which would not reflect the risks involved in their projects. Secondly, a number of them are in monopoly positions, so that they could, in theory, raise prices to cover the servicing costs of borrowing at rates which private industries, operating in competitive markets, could not possibly afford.

## Insisting

Whether consciously or not, the Government is now moving gingerly towards a resolution of *these two problems,* in formulating its policy on the Channel Tunnel. By isolating one particular project, with identifiable *costs, revenues and profits,* and by insisting that private investment in it should be genuine "risk capital," it is overcoming the first objection to private financing of nationalised industries. *The second hardly arises* in the case of the Channel Tunnel, since the railways will have to compete in fares with other cross-channel operators.

In other industries, however, a more systematic and tougher attitude to monopoly pricing may be required, before they can be let loose on the capital markets.

# Bringing out the best in bulbs

GARDENS TODAY

BY ROBIN LANE FOX

THIS YEAR the weather could not have been worse for the flowers from the best spring bulbs. The remarkably mild spell in late February brought them all on together, so that *the early crocus kept company* with late narcissi. Since then, the temperature has fallen as fast as the stock market. The rains have thrown the flowers of the smaller-stemmed varieties flat on to their faces and covered them with mud. The cold interludes have frozen the daffodils in the stage of premature buds. It is not easy to be enthusiastic about viewing small little anemones in a shower of snow.

Such weather, of course, should not deter anybody from planting large groups of the more obvious sorts of bulbs outdoors. If you wonder whether they are worth the money, take a look again at the crocuses in London around Marble Arch, which are an object lesson in how to plant them, one bright spot in that muddled design. The planters realised that the colours of each block of crocus *are best kept separate,* a point which seems to have filtered down to many provincial roundabouts which are similarly segregated.

Though these crocus are a match for any snowstorm, the smaller and rarer bulbs are a different matter. Last year, I was trying to settle some clumps of species tulip when the weather wrecked their first show of scarlet flowers. This year, some rare grape hyacinths have suffered likewise. I am persuaded now that I must invest in those special beds for bulbs in pots and pans *from* which the experts dazzle visitors to early London flower-shows.

I would not put it past these devoted experts to brush the flowers *lightly* with a toothbrush, but, in fact, they take the sensible view that these rare small bulbs are best in pots, where they are sheltered *from the weather and can be* brought into a cool house as pot-plants.

If you are cramped in London or limited by a demanding job, *one or two frames for bulbs* give you manageable scope for a challenge as worthwhile as any tiresome acre of bare ground. By working when you like in the evenings, you can prove that you are a good gardener, perhaps even a great one, without needing more than a few square yards.

If you like the idea of a bulb-frame, *how do you build one* cheaply? Here, I can pass on the vast experience of a friend. The growing of bulbs under protection is divided into two main streams. Either you keep the bulbs in pots throughout or you plant them into a compost-bed, which is shaded under glass. Personally, I would prefer the option of pots and pans. Its disadvantage is that they may not encourage the bulbs to persist and multiply over many years. But they allow them to be treated as house-plants, an essential aim of the whole business.

*Beds* under glass are better for the bulbs, but they immobilise them and may prove awkward if you wish to dig around and discover a particular *variety in order to divide it after* flowering. They give you less freedom if you grow one variety which wants water in July, while another needs a drought. They are not segregated into individual pots.

Pots and pans, then, are my preference. For these, you need a plunge bed. This is not the latest concept from Playboy; it is simply a bed of sand which is laid to a foot's depth, at most, *below ground level, into which* you plunge the pots up to their necks while leaving their surface level with the surrounding soil. However you grow your bulbs, plunging is a good trick. You dig out a hole to match the frames which you mean to set above it and then you fill it with sharp silver sand. Ordinary builder's sand is less satisfactory, as it drains poorly and can sprout a green slime.

Once the bulbs are set deep in pots below ground level, you will find that you have to water them far less often. If you choose *spring flowering* varieties, you can take your August holiday and not worry about watering them at all. The sand will also take the edge off the *deepest frosts* and save the bulbs from being frozen into a compost like pieces of rock.

Plunge beds are cheaper than the conventional frames which garden centres will bring to your notice, VAT and all. If you set your pots up to their necks in sand, you need nothing more than the standard type of Dutch lights as a shelter above them. These are long wood-framed sheets of glass which you can *make for yourself quite cheaply* if you remember that horticultural glass is far cheaper than other brands and just as good. For these lights, you must build a framework of wooden support *which will prop them about two* feet above soil level.

The carpentry is simple enough, even for me. You do not need to fill in the sides and the back and front with wood, but I would advise that you should tack chicken-netting over the gaps in the sides and front to keep off the cats, while filling in the back with the strongest type of plastic sheeting. *This* takes the edge of a bad gale, so it must be thick enough to stand up to high wind. There is absolutely no point in boxing the *whole bed in* at great expense. The better the ventilation, the happier the pots in the plunge bed beneath.

You see, I hope, how cheap and simple it is, and perhaps wonder when and why the Dutch lights are needed. They control the watering and take the edge of the frost. For most of the growing season you will not even need to keep them in place. It is best to leave pots exposed to the winter rain which will water them for you. Only in very wet or cold spells are the *glass lights* necessary above, but remember that for a bulb a wet spell is a relative concept. When your pans of small narcissi are in flower, any rain overhead will spoil their petals.

The Dutch lights allow you to make the most of a wet English summer and are the secret of growers who show us those enviable pots of small bulbs from hot native countries. Obviously you ought to think of two plunge beds or at least two separate areas when you arrange the glass roof above them. One should be for the summer-flowering bulbs which will want to be dry and dormant in autumn. The other should be for the spring varieties which need to begin being watered when the others go to sleep.

As for the potting of your rare bulbs, there are two golden rules. Never overcrowd a pot because you will lose most of the crowd after one or two years. Try to plant the small-sized bulbs beneath twice their own depth of soil, while putting larger bulbs, *the big Muscari* or alliums, with their bulbs three-quarters of the way down a deep pot, not a pan. Otherwise, the choice is yours from *any specialist* nursery.

Remember that bulbs, especially, like to be built up after flowering. Out of season, remove the old soil down to the level of the bulbs and replace it with a fresh mixture. So long as the bulbs show any leaf, you should feed them freely with liquid Phostrogen. You must never ignore them after flowering, for the period between *flowering* and losing their leaves is the time when next year's flower is born. But in a sheltered plunge bed, you can ignore the other hazards, while ensuring a cheap and handsome source of pot-plants for spring and summer in your less heated rooms.

# Demand for One Fleet Street

RACING

BY DOMINIC WIGAN

ALTHOUGH the Sun Grand National is only three days away, the most significant ante-post activity is focussed, surprisingly, on the flat season's *first* two classics.

What is even more unexpected is that a number of usually astute backers are supporting an unraced colt to upset Monteverdi and Nureyev in the 2,000 Guineas. The horse in question is One Fleet Street.

If the breeding of the colt, trained by Peter Walwyn, is anything to *go by, there are* strong grounds for expecting a good deal from him.

One Fleet Street is by that enormously successful stallion, Habitat, out of the outstanding race mare, The Creditor. One Fleet Street—"the best backed unraced horse in the 2,000 Guineas since Pintavischio"—according to a Tote spokesman, is down to 20-1 from 66-1.

Although Nureyev is not neglected at 4-1, no one seems to want to back Monteverdi, and the O'Brien colt, who was *at one time clear favourite, is* now available at 7-1. It is almost invariably an ominous sign when a Cashel prospect begins to drift in the betting before either the 1,000 Guineas or 2,000 Guineas, and admirers of Monteverdi are best advised to wait and see how the colt's preparation goes before supporting him for the May 3 race *over the Rowley Mile.*

While One Fleet Street and Nureyev have been attracting the bulk of the 2,000 Guineas business, Evita has been in *strong demand for the 1,000.* This filly trained by Henry Cecil, on whom a £1,500 bet at 10-1 was laid yesterday, is reported to be going particularly well, and judged on the promise she showed when landing the Blue Seal Stakes at Ascot there is every reason to hope that she will make a classic filly.

*Henry Cecil saddled One In A Million* (now visiting Nonoalco in Ireland) to win the Blue Seal on the way to her triumph in the 1,000 Guineas, and it could well be that a number of backers are expecting history to repeat itself.

CATTERICK

2.15—Twinacre**
2.45—Lyne Boy***
3.15—Bobby Brig*
3.45—Cavity Hunter
4.15—I'll See You Again
4.45—Golden Jest

# TV/Radio

## BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra-high frequency only). 9.35 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill At One. 1.45 Playboard. 2.01 For Schools, Colleges. 3.00 Nationwide Budget Special.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
7.00 Potter.
7.30 A Song for Europe 1980.
9.00 News.
9.25 The Budget. The Rt. Hon. Sir Geoffrey Howe for the Government.
9.35 Open Secret: Condensation in modern council homes (report).
10.03 Sportsnight.
10.55 Parkinson with guests.
11.55 *Weather/Regional News.*

All Regions as BBC-1 except as follows:—

Cymru/Wales—11.02-11.22 am I Ysgolion. 5.55-6.20 pm Wales Today. 7.00-7.30 Heddiw. 11.55 News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.55 News and Weather for Scotland.

Northern Ireland—5.55-6.20 pm Scene Around Six. 10.05-10.55 Sportsnight from Northern Ireland — Soccer: Israel v. Northern Ireland. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich): Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth.

## BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
3.55 pm Play School.
4.20 *The Backyard.*
4.25 Jackanory.
4.40 Take Hart.
5.00 John Craven's Newsround.
5.05 God's Wonderful Railway.
5.35 Paddington.
5.40 *Open University.*
6.55 The Master Game.
7.25 Mid-evening News.
7.35 29 Seconds To Zero. (Home movie about Pearl Harbour).
7.45 The *Silicon Factor.*
8.25 Arena.
9.00 Thérèse Raquin.
9.55 Black Dyke's World of Music.
10.45 Newsnight.
*11.30* The Budget (as BBC-1 9.25 pm).
11.40 Open Door.

BBC-2 Wales Only—5.05-5.35 pm Bilidowcar, for children.

*BBC-2 Northern Ireland Only*—3.00-3.15 pm Jackanory (as BBC-2 4.25 pm). 3.15 Soccer—World Cup: Israel v. Northern Ireland. 5.15-5.40 God's Wonderful Railway (as BBC-2 5.05 pm).

## LONDON

9.30 am Schools Programmes. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 The Sullivans. *1.00 News plus FT Index. 1.20* Thames News. 1.30 Take The High Road. 2.00 After Noon Plus. 3.00 The Budget. 5.15 The Brady Bunch.

5.45 News.
*6.00* Thames *News.*
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 The Four Musketeers: "The Revenge of Milady," *starring* Oliver Reed, Raquel Welch, Richard Chamberlain, Michael York and Frank Finlay.
10.00 News.
10.30 The Budget: The *Chancellor of the Exchequer,* Sir Geoffrey Howe, speaks on behalf of the Government.
10.40 Mid-week Sports Special.
11.40 Celebration.
*12.10 am Close: Personal choice* with Ray Smith.

All IBA Regions as London except at the following times:

### ANGLIA

1.25 pm Anglia News. 5.15 Barney Miller. 6.00 About Anglia. 11.40 Police Surgeon. 12.10 am The Big Question.

### ATV

12.30 pm The Electric Theatre Show. 1.20 ATV Newsdesk. 5.15 Selwyn. 6.00 ATV Today including Police Five. 11.40 ATV Newsdesk. 11.45 Have Girls Will Travel.

### BORDER

1.20 pm Border News. 5.15 Happy Days. 6.00 Look-around Wednesday. 11.40 Police Surgeon. 12.10 am Border News Summary.

### CHANNEL

1.20 pm Channel Lunchtime News What's On Where and Weather. 5.15 *Makin' It. 6.00 Report At Six.* 10.28 Channel Late News. 10.32 A Chance To Meet . . . Bill Maynard. 11.40 George Hamilton IV. 12.05 am News and Weather in French followed by Epilogue.

### GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 5.15 Survival. 6.00 North Tonight and Area Weather Forecast. 10.45 Reflections. 10.50 Scotsport Special. 11.45 *Police Surgeon.* 12.15 am North Headlines.

### GRANADA

1.20 pm Granada Reports. 2.00 Live From Two. 5.15 The Rolf Harris Show. 6.00 Granada Reports. 6.30 Happy Days. 11.40 Bluey.

### HTV

1.20 pm Report West Headlines. 5.15 *The Spare Tyres. 6.00 Report West.* 6.30 Survival. 11.40 Fireside Theatre.

HTV CYMRU/WALES—As HTV West/HTV General Service except:— 12.00-12.10 pm Ffalabalam. 1.20 Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines. 6.00 Y Dydd. 6.15 Report Wales. 6.30-7.00 Brave Old World.

### SCOTTISH

1.20 pm News Headlines and Road and Weather Report. 1.30 The Rolf Harris Show. 5.15 The Electric Theatre Show. 6.00 Scotland Today. 6.30 Emmerdale Farm. 10.45 Late Call. 10.50 Scotsport Special. 11.50 George Hamilton IV.

### SOUTHERN

1.20 pm Southern News. 2.00 Stars On Ice. 2.30 Houseparty. 5.15 Mork and Mindy. 6.00 Day By Day. 6.35 Scene Midweek (South-East area only). 11.40 Southern News Extra. 11.45 George Hamilton IV.

### TYNE TEES

9.20 am The Good Word followed by North-East News Headlines. 1.20 pm North-East News Headlines and Where The Jobs Are. 6.00 North-East News Headlines. 6.02 Crossroads. 6.25 Northern Life. 11.40 North-East News Headlines. 11.45 Power Without Glory. 12.35 am Epilogue.

### ULSTER

1.20 pm Lunchtime. 5.15 Woody Woodpecker. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.40 *Soap. 12.10 am Bedtime.*

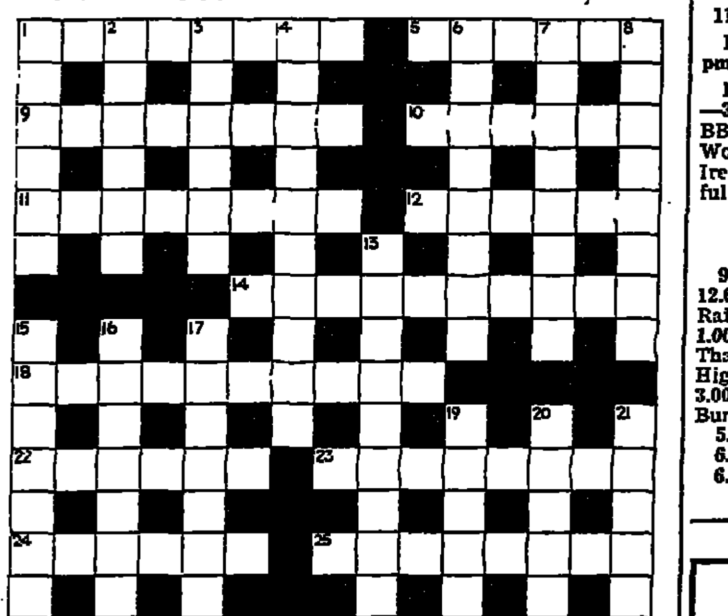
### WESTWARD

1.20 pm Westward News Headlines. 5.12 Gus Honeybun's Birthdays. 5.15 Makin' It. 6.00 Westward Diary. 10.28 Westward Late News. 11.40 George Hamilton IV. 12.05 am Faith For Life. 12.10 West Country Weather and Shipping Forecast.

### YORKSHIRE

1.20 pm Calendar News. 5.15 Bailey's Bird. 6.00 Calendar (Emley Moor and Belmont editions). 11.40 Have Girls, Will Travel.

# F.T. CROSSWORD PUZZLE No. 4,235



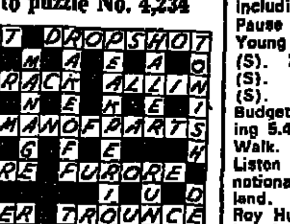
ACROSS

1 Salute a town for its output (8)
5 China includes little work for the listless (6)
9 Where racing driver or theatre-goer can be found (2, 3, 3)
10 Smother in the joint (6)
11 Capital for vegetables (8)
12 Supporter round the hotel—a fishy associate (6)
14 Fortuitous note corrector (10)
18 A novice bound to learn (10)
22 Round the court or ecclesiastic (6)
23 "Second childishness and mere ——" (AYLI) (8)
24 Equip a girl for the fleet (6)
25 It's cheap for a mix-up (8)
26 I'd turn to the emperor for money abroad (6)
27 Elks upset college framework (8)

DOWN

1 A branch in the Civil Service is on the way up (6)
2 Presents or takes lodgings (4, 2)
3 Savoury expression demanded with snap (6)
4 Pert italic to match the other two (10)
6 Not a nice fellow—the odds are against him (8)
7 "A fellow of —— jest, of most excellent fancy" (Hamlet) (8)
8 Inexperienced and wide-awake—bad for plants (8)
13 Settle on colour—there's not a gleam of light (10)
15 Just a girl—from Perth? (4, 4)
16 Fast bowlers from the South are out of this world (8)
17 A city judge—he puts it on tape (8)
19 Weapon for a Shakespearean character (6)
20 Game hint for Felix (6)
21 Successively we hear the resident pupil (6)

Solution to puzzle No. 4,234



## Radio Wavelengths

| | | | |
|---|---|---|---|
| 1 | 1053kHz/285m<br>1089kHz/275m | 3 | 1215kHz/247m<br>& 90-92.5vhf stereo |
| 2 | 693kHz/433m<br>& 88-91vhf stereo<br>909kHz/330m | 4 | 200kHz/1500m<br>& 92-95vhf |

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz 194m & 95.8vhf
*London Broadcasting:* 1151kHz, 261m & 97.3vhf

## RADIO 1

(S) Stereophonic broadcast
‡ *Medium wave*

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Radio 1 Mailbag. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As *Radio 2.*

VHF Radios 1 and 2—5.00 am With Radio 2. 8.45 Alan Dell with The Dance Band Days. 9.15 The Magic of the Musicals (S). 9.55 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

## RADIO 2

5.00 am News Summary. 5.03 Ray Moore (S). 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause For Thought. 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 3.03 Radio 2's Budget Special (S). 5.00 News. 5.05 Radio 2's Budget Special (S) (continued) including 5.45 Sports Desk. 6.15 Waggoners' Walk. 6.30 John Dunn (S). 8.02 Listen To The Band (S). 8.45 International Soccer Special: Spain v England. 10.30 The News Huddlines with Roy Hudd. 11.02 Fred Perry says Be My Guest. 11.32 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and The Night and the Music (S).

## RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Saint-Saens (S). 10.00 Music for Organ (S). 10.45 Peter Schreier song recital, part 1 (S). 11.15 Interval Reading. 11.23 Recital, part 2. 12.00 BBC Scottish Symphony Orchestra (S). 1.00 News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Fifty Years of British Music (S). 3.25 Aspects of the Blues. 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S) († and mono only from 6.20). 7.00 Music Now: The Juilliard School. 7.45 Building A Library of records (S). 8.45 Six Continents. 9.05 Margaret Price song recital: Mozart, Schubert, Debussy, Duparc (S). 10.05 Israel Piano Quartet play Fauré (S). 10.45 Music from North and South India (S). 11.55-12.00 News.

VHF only—6.00-7.00 am and 6.20-7.00 pm Open University.

## RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00, Today's News, 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-Week with Elaine Stritch. 10.00 News. 10.05 Gardeners' Question Time. 10.30 Daily Service. 10.45 Story Time (S). 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 Double Act. 12.55 Weather, programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 *News.* 3.02 *Listen With Mother.* 3.15 The Way The Money Goes: A merchant banker reflects. 3.25 The Budget. A PM Special Speech, analysis, comment. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 A Musical Evening with Gwyneth Jones. 8.45 A Programme For Survival. The implications of the Brandt Report. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Life and Times of the Orchestra (S). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

## BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 John Toogood's Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

## London Broadcasting

6.00 am AM with Bob Holness and Douglas Cameron. 10.00 Open Line. 12.00 LBC Reports. 3.00 pm Budget Special with studio guests Tom Jackson, TUC, and Allen Lord, CBI. 3.30 The Chancellor's speech: Returning to Budget Special. 6.20 LBC Reports. 8.00 Jazz After Eight. Keith Howell presents music from the Depression Years. 9.00 Vivian White and Douglas Moffitt—Nightline (Budget phone-in). 12.00 LBC Reports Midnight. 1.00 am Night Extra. 5.00 Morning Music.

## Capital Radio

6.00 am Breakfast Show with Mike Smith (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).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**Television**

# Promises and disappointments

by CHRIS DUNKLEY

There were two programmes over the weekend each of which sought to tell us something about modern life in a British city. Much the most heavily publicised was *Bloody Kids*, which was made for ITV by Black Lion Films and categorised by TV Times (which devoted its front cover to the work) as a "TV movie." It took 105 minutes to tell a dispiriting and sordid little tale about the results achieved by a couple of schoolboys staging a supposedly mock knife fight outside a football stadium.

The other, called *The Promised Land*, was billed as "a film about Whitechapel." It was written and directed by Dennis Marks for BBC2, lasted 50 minutes, and in that amazingly short time conveyed a vast amount of fact, historical and modern, about London's East End, and also a quite extraordinary depth of feeling. What a shame it is that the first programme will receive — has, indeed, already received — so much more attention than the second.

*Bloody Kids* was disappointin in a number of ways. It was much too long for its little bit of plot which was stretched and teased out like a scrap of hessian until there were more gaps than material, and even that material was questionable: what security guard would unlock a school's drama props store and wait outside while an 11-year-old stole sachets of mock blood? Was Leo really wounded or not? Why were the police based in a hospital? And so on.

More seriously disappointing was the treatment of the central themes of juvenile delinquency and urban disintegration. To suggest that television playwrights should remember that we live in abnormally law-abiding times, that coroners' records for the 14th century show manslaughter far ahead of accident as a cause of death, and that (for instance) Oxford University was closed down in 1354 after a massacre of students in a town/gown riot, or that in the 19th century even the police went only in pairs in large parts of London, would of course be asking too much.

Yet given that television writers will not allow mere fact to deprive them of a juicy scare story, one might still hope that from a writer of Stephen Poliakoff's reputation such worn subjects would receive new insights, or subtlety of approach, or enlightening analysis, or humour. Or something. Instead we were given sheer depiction — car theft, disco dancing, bullying, window smashing, banal demotic dialogue, all the familiar Poliakoff touches — without any attempt (except for a minimum in the case of Gary Holton's Ken) to introduce meaning or understanding via character or any other means.

The most interesting aspect of the entire production was Stephen Frears' direction and Chris Menges' lighting camerawork which between them managed to make a modern shopping precinct look like a poor studio set. (Unless it actually *was* a poor studio set). Perhaps that was what they wanted.

*The Promised Land* on the other hand, which sounded as though it might be a worthy but rather tedious piece of work, turned out to be the best sort of programme: idiosyncratic, working outwards from the specific to the general, powerfully and proudly fond in places, yet never misty eyed about its subjects, which were successive generations of poor immigrants and their dwellings, work, and way of life in the East End of London.

Because the modern mass medium of television happens to attract on to its staff so many of the type of person today's politicians describe as "wet" we have, of course, seen a lot of coverage over the years of this programme's concerns: the refugees from the Central European pogroms, later Asian immigration, difficulties of assimilation, the hostility of the host community, exploitation, and the special problems immigrants have concerning their children, politics, religion and so on. But I cannot recall any other programme audacious enough to try encompassing all that at once and in addition—and perhaps most important of all—contriving to put across such a vivid and powerful sense of place.

Dennis Marks achieved this by weaving together three cleverly complementary elements: his own script, playwright Arnold Wesker's detailed love/hate memories of his Whitechapel childhood, and extracts from an entrancingly detailed and emotional guided tour of the area conducted by a man named William Fishman (whose powers of description and declamation will doubtless remind some ambitious producer of Magnus Pyke or Kenneth Griffith). The East End is something of a gift to a cameraman, but Bernard Hedges' work still merits mention.

*The Promised Land* was advertised as "an impressionistic portrait" which, since it relied for most of its effect upon sedulously researched detail, was rather ironic particularly in view of the way that *Bloody Kids* did use impressionistic techniques—emergency vehicle sirens, unexplained scenes of panic and mayhem, flashing lights and so on—for its appeal to that widespread gut fear about urban life which seems to affect Poliakoff so deeply.

In the end the most impressive point about *The Promised Land* was that it managed so cleverly to communicate matters which do not lend themselves readily and easily to television: it is one thing to photograph the salt beef restaurant and the halal butcher in close juxtaposition and thereby tell a tale of history repeating itself. It is another thing entirely to bring into the viewer's sitting room the very feel of the Diaspora when no one was there to film it.

When plaudit time comes round, far too little attention is given usually to this question of how easy or difficult it was for the producer to deal with his chosen subject. For example, it should be much harder to earn our admiration with programmes about Hollywood and the history and practice of movie making, a subject rich in one of television's natural source materials (film), than with—say—a programme about the Vikings or the history of the Press which have no such advantages.

Yet I must promptly add that last week's BBC2 documentary about Press baron Randolph Hearst though workmanlike enough really did not call for riotous applause, and the first in the *Vikings* series almost earned a slow handclap for being even more heavy-going than the difficult source material necessitated. Moreover Christian Blackwood's *Omnibus* programme on movie maker Roger Corman does deserve an oration for the use of its — admittedly abundant and doubtless easily acquired—material in a way which grabbed and retained attention from start to finish. Partly it was the content of the clips themselves (Corman's school of exploitation movie-making being better served by extracts than by full length examples) but mainly it was the sheer speed with which Blackwood bounced the whole thing along so that, once aboard, one hardly dared step off.

Magnus Magnusson

Christopher Cook's Hearst programme, which opened a new series of the generally admirable *Yesterday's Witness*, suffered from looking—clearly by chance not design—far too much like an extract from Thames TV's *Hollywood* which itself is proving a bit more variable than early episodes suggested. "A Very Public Private Affair" told us about Hearst via the evidence, among others, of Ben Lyon, Anita Loos and Adela Rogers St. Johns all of whom turn up regularly in *Hollywood*. Most of all, though, it told us about Hearst's mistress, Marion Davies, who was no doubt photographed rather more often than he, thanks to her *Hollywood* career.

In *Vikings*, Magnus Magnusson read the runes and actually claimed that his unpronounceable forebears enriched the known world with their raiding, which adumbrates a whitewash job of quite unprecedented opacity and—if the word is permissible—magnitude.

**St. John's, Smith Square/Radio 3**

# Margaret Price

The BBC Lunchtime Concert at St. John's, Smith Square, on Monday was given by soprano Margaret Price, a far too infrequent visitor to London's concert halls and recital rooms. Having wisely kept, during the early years of her career, to a diet of Mozart, Mozart and yet more Mozart, Miss Price, now in full vocal bloom, can sing anything, from Bach to Bellini, Wolf to Wagner, without strain. But she still remains faithful to her favourite composer, and opened this hour-long recital with Mozart's Masonic Cantata "Die ihr des unermesslichen Weltalls," which was firmly and expressively declaimed.

A group of Schubert songs began with "Auf der Riesenkoppe," the setting of verses by Theodor Körner which give a panoramic view across the border into the poet's own country. The almost instrumental purity of the soprano's tone became subtly coloured as emotion shaded the text. For "La pastorella," an Italian setting from Goldoni's *Filosofo di campagna*, Miss Price became a gentle, flirtatious shepherdess; for "Der blinde Knabe," the translation of Colley Cibber's sentimental poem about a blind boy who counts his blessings, her voice reverted to a pure, boy-like treble. Only *Die Allmacht* by Pyrker, Austrian Patriarch of Venice, lay outside her range.

The rest of the advertised programme was French. In "Soupir," the first of Debussy's *Trois Poèms de Stéphane Mallarmé*, it seemed as if text was to be sacrificed for beauty of line, but in the remaining two songs of the group, phrasing, diction and beautifully poised tone were all combined, especially in *Eventail*, the song addressed by a fan to its owner. In three songs by Duparc, Miss Price infused her voice with a passionate and sensuous timbre a whole spectrum away from the uncomplicated joy of the blind boy. Both "Chanson triste" and "Soupir"—a poem by Sully-Prudhomme rather inferior to Mallarmé's of the same name—were finely sustained, while Leconte de Lisle's "Phylidé" ended on an appropriate note of positive affirmation.

For both the French and German songs, Geoffrey Parsons provided piano accompaniment at once sensitive and firm enough to support the singer at all times. In the encores, Rakhmaninov's setting of Pushkin's haunting poem "Sing not to me, beautiful maiden," and one of the Tonadillas of Granados, Mr. Parsons helped create instantly the right mood for the singer, placing the songs in their more exotic idioms of Georgia and Spain as Miss Price produced yet further varieties of tone colouring.

ELIZABETH FORBES

**Hampstead**

# Threads

by B. A. YOUNG

In *Threads*—whose title is somewhat mysterious—John Byrne continues the story of *The Slab Boys* into the staff dance that comes immediately after. There is to be a third play in due course, I understand. Shall we all be talking about the Byrne Trilogy the way we talk about the Wesker Trilogy? He must put something a little more important into his third part for that, I think.

*Threads* is very funny, even if it adds nothing to what we got from *The Slab Boys*. Here they are at the Paisley Town Hall—Alan the university boy, with a dinner-jacket borrowed from his father, Phil, with a white tuxedo that looks as though it were thrown out by a waiter when it got the big iron mark on the right shoulder, Spanky, wearing big suede shoes under his dress trousers, Terry in dark clothes that he thinks make him look like Elvis Presley. There are two girls between them, pretty Bernadette from the despatch department and scatty Lucille. Add respectable Miss Walkinshaw and blousy old Sadie, and top off the mixture with Mr. Curry, in charge of the proceedings, and the guest-list is complete.

It must sound ungrateful if I say that none of them is given anything significant to do, for the activities Mr. Byrne so generously hands out to them are ceaselessly funny, and probably seem even funnier to people who are more fluent that I in the Glaswegian dialect. But save for a moment towards the end of the evening when poor dotty little Hector sticks a knife through his wrist, and Phil (the one who in the last play failed to get into art college) ascends into the world of Berenson and Kenneth Clark and emphasises his indifference to what happens to anyone but himself, we are concerned only with staff dance business. There are changes of partners, light fuses blowing, Miss Walkinshaw under the influence, quick quarrels, silly misunderstandings.

Leonard Burt

Claire Neilson

Mr. Byrne invents these things with fluency and wit, and clothes them in wonderfully good talk.

Robin Lefèvre's direction is immaculate and the playing of the company, particularly of Claire Neilson as Miss Walkinshaw and John Breck as Phil could hardly be better.

**Sadler's Wells**

# Bell High by CLEMENT CRISP

In May this year Richard Alston is to become resident choreographer of the Ballet Rambert, and by way of introduction he has created his first dance-piece for the company, *Bell High*, which received its London première on Monday. The score is made up of two works by Peter Maxwell Davies for clarinet: "Stedman Doubles" and "Hymnos" (the work's title comes from an instruction given to the player), rather arid exercises at an initial hearing which do not, however, inhibit Alston's inventiveness.

The opening of the ballet is a long-lined sequence for Michael Clark, a gifted young dancer recently graduated from the Royal Ballet School, who is joined by Thomas Yang and Michael Ho. The manner is cool; the dance stretches smoothly out, more academic in style than we have seen before from Alston. Six girls are next deployed in choreography that insists upon a precise placing of bodies and what appears a careful judging of dynamics, and the cast is complete when three more men are involved. They are dressed in green coveralls, and there are intriguing hints of reflections from the tilted set that is placed above the stage.

The technical importance of this set becomes apparent when the mood of the ballet changes with the start of the second Maxwell Davies' clarinet piece. Peter Mumford's fine design is revealed as a mirrored panel which reflects the stage surface and also incorporates a geometric pattern in perspective. The dancers are now white clad, their activities lighter and faster, though still retaining a carefully ordered choreographic identity. Their reflected selves provide a fascinating counterpoint to the action—this is a work which should be seen from the stalls rather than the upper part of the theatre. As the piece ends, Michael Clark recapitulates his opening solo in company with Lucy Burge and Thomas Yang.

The effect of *Bell High* is of a consciously controlled idiom, precisely judged, of patter and order underpinning the dance. It is, I suppose, a cerebral work, perhaps even clinical, but its pure tone is everywhere attractive.

The scheduled programme fell victim to injury, and the promised performance of Christopher Bruce's recent *Sidewalk* was postponed, to be replaced by his *Night with Waning Moon*, but the evening also brought a revival of Glen Tetley's *Rag Dances*. The performance lacked something in intensity, though Sally Owen as the woman grieving for her dead love, and Stephen Ward as the deranged man striving to escape from his personal hell, were powerfully good, and Thomas Yang dominated the last contemplative solo of the ballet with great dignity.

**Salle Favart, Paris**

# Le Porteur d'eau by RONALD CRICHTON

Rolf Liebermann, whose eventful term as administrator general of the Paris Opera is drawing to a close, has always recognised the need for a permanently available second house such as the Salle Favart or Opéra-Comique. As he states in his new book *Actes et entractes* (Stock-Musique, FFrs 25), the Opéra is the natural international house with the world's stars and high seat prices, while the smaller Opéra-Comique is the ideal testing-ground for young French singers and home of the native repertory, to be given at reasonable prices, in the vernacular.

The analogy Liebermann draws between that potential situation and the London division between Covent Garden and the ENO (which he continues to call "Sadler's Wells") works only up to a point, since the ENO's London home is not smaller than Covent Garden and while Britain produces more opera singers than France, we have a much smaller national repertory. But he is right to insist that the French repertory is better suited to a smaller theatre than the Opéra. *Carmen*, *Manon* and *Pelléas*, to take three illustrious examples, were all written for the Opéra-Comique.

That excellent medium-sized auditorium (backstage facilities are no doubt cramped and inconvenient—since the building virtually abuts on the Boulevard des Italiens extension is impracticable) is now largely given over to the opera studio. Liebermann, however, has for short periods rescued the theatre for public use, presenting an intelligently chosen token repertory including Rameau's *Platée*, Philidor's *Tom Jones*, Gounod's *Médecin malgré lui*, an Offenbach triple bill, *Werther*, Mesager's *Véronique* —most of them have been reviewed here. To the list must be added two French works by Italian composers working in Paris—Rossini's *Le Comte Ory* and, earlier this month, Cherubini's *Le Porteur d'eau* or *Les Deux Journées*.

The formidable musical pedagogue from Florence who became head of the Paris Conservatoire was a fine composer, admired even by Beethoven. He is mainly remembered for his *Médée*, but *Les Deux Journées* (1800), an early example of a "rescue opera" and a close forerunner of *Fidelio*, has greater claim to importance. The libretto was by the same Bouilly who wrote the text forming the basis of Beethoven's opera. The principal character is a Parisian water-carrier who during two crucial days smuggles an innocent couple out of Paris to save them from wrongful imprisonment—and himself brings news of pardon in the nick of time. The present revival uses the alternative title *Le Porteur d'eau*: in Germany the opera is called *Der Wasserträger* and in England (by the Carl Rosa a century ago) *The Water Carrier*.

This opéra-comique with abundant spoken dialogue is a high-minded piece, the libretto earning praise in its day from Goethe among others. Now the humanitarian sentiments can no longer conceal cardboard characterisation — Mikeli the water-carrier is an excellent fellow, but his courageous good-heartedness becomes as monotonous as the clemency of Mozart's Titus. Indeed, in spite of the vastly different milieux the musical style of the two works has something in common. Both Mozart and Cherubini on their different dramatingical levels are monumental, but not frigid. Humanity peeps through: like Mozart, Cherubini can suggest ordinary people in an everyday setting without lowering his musical sights.

As with *Fidelio*, the plot is said to be founded on an actual incident during the Terror. Again Bouilly discreetly distanced the action, in time if not in space, putting it back to the period of Cardinal Mazarin and the Fronde. Bernard Sobel, the producer of this revival, leaves the references to Mazarin in the text and uses 17th century uniforms for the military, but the rest is Revolution—the simple but distinguished sets by Bernard Thomassin (finely lit by Michel Duverger, with costumes of Pierre Cadot) include for the interior a vast, billowing, washed-out tricolore flag as brackground. The first two acts, played absolutely straight with an effective escape scene, go well. The third more or less collapses.

At this point the singers, having so far managed the spoken dialogue with tolerable skill, are unable to put over the unimpeachable but stilted sentiments with enough conviction to stifle good-humoured laughter from the audience. The last-minute entrance of Mikeli, marching through the stalls with good news for the captives, is a Brechtian cliché, and the words are lost. Cherubini did not set the climax to music but left it to spoken dialogue. For post-Beethoven audiences in the lack of music here is a weakness. It was clearly not due to lack of technique: as

Eliane Lublin (Constance) and Charles Burles (Armand)

several passages in the earlier acts show. Cherubini was perfectly capable of carrying forward the action in music. No doubt there are things about the old theatrical relationship between speech and music we no longer appreciate.

*Mikeli* was robustly sung and acted by Jean-Philippe Lafont, the backbone of more than one of these Salle Favart productions. The escaping couple were Charles Burles (Armand) and Eliane Lublin (Constance) —when the truth comes out that Armand is a Count, Mikeli still saves him—not Mr. Burles's fault if the character seems first cousin to Don Ottavio. Miss Lublin's tone goes acid in the French way in high, quick music but her declamatory singing was strong and firm. As Mikeli's son Antonio, the Corsican tenor Tibère Raffalli confirmed the good impression he made at Strasbourg this winter. Not for the first time, the velvety baritone of Jean-Marie Fremeau pleased the ear in a small role.

**Canada House**

# John Hendrickson

Mr. Hendrickson is a Canadian pianist in his early twenties who excited popular and critical notice in the Chopin Competition five years ago, and is now making a swift series of European appearances by way of warm-up for the Rubinstein Competition in Tel Aviv. On Monday he offered short, varied programme at Canada House; it was enough to prove that his great technical security answers to a rigorous musical intelligence.

The F minor Andante and Variations of Haydn and Beethoven's Sonata "Les Adieux," op 81a, displayed his individual classical manner. There was a satisfying crunch in it: Hendrickson was blessedly sparing with the pedal — no Romantically ambiguous sonorities here — and still achieved a faultlessly distinct grading of dynamic levels that gave "Les Adieux" an unwanted richness. Even in the Haydn, which he undertook in a penetrating *mezzo voce*, phrases were always sculpted with a speaking roundness. The musical imagination was quite palpable —I do not think there was a trace of unconsidered routine to be heard, though he drew on full, practised resources to make the Beethoven Finale resoundingly brilliant.

Three characteristically concise and pointed Preludes by the senior Canadian composer Violet Archer—tonal but enterprising, and sharply pianistic—made a ringing dramatic sequence. In Chopin's Barcarolle and a A-flat Polonaise, Hendrickson allowed himself a full rubato scope, to fine idiomatic effect and without prejudice to a solid underlying pulse. I thought his broadening for the peroration of the Barcorolle, and for the spread chords in the middle of the Polonaise, was gratuitous, but it hardly compromised the power of these imposing readings. Without mere idiosyncrasies, Hendrickson has forged an individual style, chunky, masculine and yet permitting any amount of sensitive detail, uncommonly early in his career.

DAVID MURRAY

BSC, the TUC and the IOC?

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Wednesday March 26 1980

# The Fed looks to the future

IT IS now clear that the first stage of the Carter squeeze against inflation has been effective, though the signs remain rather more obvious in international markets than they do in the U.S. itself. The dollar remains very firm. Domestically, by contrast, inflation figures at the retail level remain high, and credit demand, especially if commitments to corporate borrowers are taken into account, appears strong. However, these are the normal lagged effects of a long period of inflated demand. The financial markets are clearly signalling a downturn.

*This does not mean that an* effective squeeze is now a *fait accompli*. The most obvious responses so far to the very high level of interest rates is a down-turn in consumer borrowing, and a certain amount of distress in the financial sector — one largish bank has been forced to issue one of those reassuring statements which *help to arouse more widespread* worries.

### Demand

What remains to be seen is whether consumer demand will remain restrained in a few weeks, when the seasonal pattern would suggest an upturn, and whether the Fed is com*pelled to mount financial rescue* operations which would somewhat undermine its efforts to restrain credit. When the financial system remains fragile because so many institutions are ill-adapted to the strains of high inflation, it is too early to take a resolute follow-through for granted, particularly in an election year. Certainly many Americans *still* seem unconvinced.

However, the fact that the financial strain is already becoming apparent does illustrate the *dilemma of the Fed. It hardly* dare squeeze much tighter, and must rely instead on the effectiveness of informal credit rationing. This is by no means the flimsy device it may seem. Thanks partly to a growing awareness of risk in the commercial market, and to the widespread usury ceilings on the interest charged to consumer *borrowers (and in some cases* to commercial borrowers, too) banks are becoming much more willing to refuse credit, or to set relatively tight ceilings on it. In others words, the measures taken to keep the savings and loan groups in business have not altered the fact that in American conditions, a squeeze works not so much through the cost of credit to borrowers as through various restrictions on supply—the familiar credit crunch in a slightly unfamiliar form.

*It may seem paradoxical*, then, that the effect of the long-term legislative reforms which have been sponsored by the Fed this week will be to reduce this "crunchiness," to use the vivid term employed inside the Fed itself. Over a period of years it is proposed that usury ceilings should either be abolished or lifted to what at present seem realistic levels. If at the same time floating-rate credit becomes more widespread, as seems inevitable, despite efforts by the Fed to impede this *change, the U.S. system will in* future be much more reliant on the price of credit to control inflation than it has been in the past.

Such measures are undoubtedly needed to make the U.S. financial system more robust in face of inflation and attempts to fight it; but a reform of the financial system on those lines is likely to expose more clearly than before the need for other fundamental reforms in the U.S. economy. These concern not only credit restraint but saving, *investment and productivity*.

The problem is at root one of incentives. Interest charges paid by consumers are deductible for tax purposes and have until now been held down artificially by out-dated laws. At the same time, the returns available to savers, except through the rapidly-growing money market funds, have also been *artificially low. In these* circumstances it is not surprising that the U.S. citizen has shown an insatiable demand for credit and a growing reluctance to save. There has been a strong constituency for cheap credit, which has helped to maintain buoyant demand and has apparently consoled U.S. consumers for the fact that their incomes have been tending to fall in real terms.

### Stop-go

For the future, however, these problems will have to be addressed. Failing this, it will only be possible to check inflation after the financial reforms by squeezing the corporate *sector so hard that would-be* borrowers among consumers fear for their jobs—in other words, by systematic imposition of stop-go management. It is to be hoped that the pains of the present stop and growing worries about underlying U.S. performance will prepare opinion for the more fundamental long-term changes which will be needed *after the battle* has died down

# Recruits for Whitehall

THE DECISION by a senior civil servant in the Department of Industry to take a job with a leading industrial company is still regarded as an unusual event, likely to provoke questions in the House of Commons about possible conflicts of interest and access to confidential information. Yet in most other countries this kind of transfer is accepted as perfectly normal: a regular interchange between government and the private sector is seen as healthy for both sides.

### Commercial

*The fact that these transfers* may be becoming somewhat more frequent in the UK partly reflects the development of interventionist policies such as the so-called industrial strategy. Officials, especially in the Department of Industry, have had closer contact with companies and have even participated with them in commercial *transactions: thus their suit*ability for senior posts can be assessed more easily. But the principle of encouraging a two-way flow of talent between government departments and industrial companies is certainly correct.

Over the past twenty years there have been numerous attempts to inject managerial expertise from the private sector into the civil service—sometimes on an *ad hoc* basis, as with Sir Derek Rayner's current attempts to improve efficiency and accountability, sometimes by means of short-term secondments. The latter have had mixed success; it is not always easy to fit an outsider, who is known to be temporary, into an established career pattern or to find areas where his particular expertise will be relevant. Yet in the right environment, as in the Department of Industry's Industrial Development Unit, which is staffed largely by people seconded from the private sector, the presence of outsiders can be helpful.

Transfers from the private sector into the civil service on a *permanent basis present more* difficult problems, especially at the senior levels. At the level of principal the Civil Service Department has for some years recruited a number of outsiders. Last year it was planned to appoint two or three people with "extensive and relevant industrial experience" to the higher rank of under-secretary; in the event the plan was not imple*mented*.

Of course it is questionable how many successful executives in their thirties or forties would want to exchange the prospects *of promotion in the private* sector for a career in the civil service. But this depends on the nature of the job being offered, the salary and perks attached to it and the opportunities for career development. Much of the civil service is concerned with administering large sums of money and large numbers of people. The skills re*quired are those of a manager*. The objectives of efficiency, value for money and tight cost control are similar to those which apply in the private sector. It is wrong that these jobs should be largely confined to those who joined the civil service in their twenties and that the salary and other conditions should be so unique to the civil service that candidates from outside are deterred from applying for them.

### Flexibility

There are other civil service functions, notably that of advising Ministers on policy, which are less likely to appeal to the budding industrialist. The man who is intellectually and temperamentally suited to become permanent secretary of the Treasury is not necessarily the man who will fight his way to the top of ICI or GEC. But even here the differences can be exaggerated: the special qualities of permanent secretaries certainly do not require the existence of a Mandarin caste of intellectuals, cut off from the rest of society. The civil service needs to be as flexible as possible in its policies towards recruitment and career development. Just as companies can benefit from hiring people with experience of government, so Whitehall should seek to remove the obstacles to transfers in the reverse direction.

# Britain: the heretic of Europe

BY JOHN WYLES IN BRUSSELS

BRUSSELS, or that substantial part of it involved with the European Community, was yesterday heavy *with the deflated gloom of a* theatrical company whose big West End production has been cancelled at the last moment. Although next week's European *Council has only been postponed* rather than removed from this year's political repertoire, the three or four week delay temporarily eliminates the tingling anticipation which was building up around next week's drama.

Uncertainty as to whether the EEC heads of government were bent on producing a Greek *tragedy or a version of* "All's Well that End's Well" was what guaranteed the meeting's strong drawing power. At least one participant, Signor Francesco Cossiga, the Italian Prime Minister who was to have presided, feared that the Community was only too ready to show its darkest side and that as a result it would be better if everyone was sent *away to try* to learn some new lines.

On the surface, there seems little reason to hope that the main theme of the meeting, Britain's *demand for a substantial* cut in its EEC budget contributions, will be any *more* successfully handled at the end of April than it might have been next week. The domestic political pressures limiting Mrs. Thatcher's room to compromise are likely to strengthen rather than weaken while the reluctance of Britain's EEC partners to make sufficient concessions to satisfy the British Prime Minister and the British people is unlikely to evaporate.

The British approach to the summit has been based on the assumption that this reluctance, and in the case of France, intransigence, is more apparent than real. Each nation is taking *up a predictably tough* negotiating position which, it is argued, will yield to compromise when the hour of settlement arrives. Agreement may take more than one summit to acheive and if the dispute goes on to the Venice meeting in June, then the UK may need to withhold VAT and block an agreement on farm price increases in order to push the Community along.

These tactics cannot yet be said to be wrong, but they are certainly questionable. They *assume first of all that President* Valery Giscard d'Estaing and Chancellor Helmut Schmidt can be dragooned into making the kind of settlement which neither has so far shown that he wants and when both have to answer to their electors within the next 12 months. They also assume that Belgium, the Netherlands and Denmark will also readily agree to pay more to Brussels so that the British can pay less.

Finally, the British tactics assume that eight countries for whom a customs union and common agricultural policy work as well as any conceivable alternative will eventually acknowledge that when the system does *not work so well for one* member, then its guiding budgetary principles should be adapted to meet that members' concerns.

All of these assumptions are implicit in Britain's current demands that the UK's net contribution should be cut by between £800-900m not just for the coming year but for as long *a period as is necessary to* ensure that the third poorest member of the Community is no worse off in budgetary terms than the fourth, which happens to be France.

Italian Prime Minister Francesca Cossiga (left): time for compromise. President Giscard of France with Britain's Mrs. Thatcher: French intransigance and Britain's sense of injustice.

## Postponement hopes

This too is a negotiating position. If Mrs. Thatcher pulls it off, it will be, in the words of a very senior Community official "a bloody miracle." If Sig. Cossiga thought that it was in the realms of possibility he would not have postponed next week's summit. Instead, he appears to be hoping that he *can find the time to persuade* Mrs. Thatcher to moderate both her demands and her language.

He will undoubtedly have to be prepared for squeals of resentment and, quite probably, rebuff. There can be no denying the sense of injustice with which Mrs. Thatcher and most British people regard the fact that this year the Community's third poorest member will be paying more into the EEC's budget than not just France but the "prosperous" Benelux countries and wealthy West Germany.

Unfortunately for Britain the issue will not be decided by 12 impartial citizens of the Community, but by eight dedicated *politicians for whom national* interest, rather than reason, evidence and argument is paramount.

The extent to which the eight other EEC members identify their national interests with the Community's general political good health varies enormously and, often, according to the issue at stake. At the one extreme, we have the Benelux countries for whom the Community is the only conceivable vehicle for maximising political influence and economic well being. *At the other*, there is France which blesses the EEC for bringing prosperity and support to its farmers and industrialists and damns it when the Community threatens to bankrupt ts sheep farmers or requires France to compromise its political sovereignty.

But the common thread which unites the eight is a willingness to cloak their often *selfish* concerns in the mantle of Community solidarity. Victories and defeats can be justified, however hypocritically at times, in terms of preserving past achievements. Political horsetrading can be dressed up in the language of community progress.

Most British Ministers and officials who have cut their political and diplomatic teeth outside the EEC have found it difficult to embrace the cant which lubricates the Community machinery. Their scorn for the Community's "theology" as it is called in London matters less when the argument is over fisheries or farm prices or regional aids.

But *it has become a much* more important factor in the budget row because a big reduction in Britain's expected £1.1bn net payment to Brussels *this year means that at least* six other governments (the Italians and the Irish will be excused because they are poorer than the UK) will have to pay more, thereby touching their national interests.

At the same time, however, settling the problem along the line demanded by the British Government could strike at some of the basic precepts of the Community. It was never envisaged that there should be any kind of link as the British want between gross national product and relative contributions to Brussels. How, moreover, to accommodate the UK within an EEC budget ceiling which will be hit because of rising farm spending next year or early the year after. Once it is reached, how to ensure that the UK does not try to take a knife to the one and only genuine common policy, agri*culture*, because the British pay for 20 per cent of its costs

Predictably, France has been the leading exponent of this "threat to the Community" *line which Britain has dismissed* as political obfuscation. How can Paris's obscure and sometimes contradictory utterances be taken seriously, it is asked, when France is *currently* violating Community law by excluding imports of British lamb? This is a good point but it is not one which has rallied the other seven partners to Britain's standard because in varying degrees they share French worries

This can be seen quite clearly from the evolution of the dispute. *When Mrs. Thatcher first* alerted her Community colleagues to the scale and seriousness of the looming budget problems at the Strasbourg summit last June, she received high marks both for her forceful exposition and clear statement that her Government unlike its predecessor, was fully commited to making the Community work.

Influenced by a number of former Foreign Office personnel in strategically high places, the Commissioner produced a document for the Dublin summit which suggested how Britain's gross contributions could be reduced by around £350m. If a further reduction was judged to be necessary then Community *spending in Britain could be* boosted in such areas as the coal industry and transport infrastructure, said the Commission.

This was intended to be grist to the negotiating mill in Dublin but, unfortunately say her critics, Mrs. Thatcher failed to negotiate. She undoubtedly produced a *tour de force* but, say *the same critics*, she failed to realise that substantially more than £350m could have been obtained through different tactics.

It is argued that she was wrong to have constantly stressed that the British wanted "our money back" when the own-resources system which supplies the cash for the Brussels budget gives the Community a lien on every member's customs duties and levies and up to 1 per cent of its VAT collection. She was equally wrong, it is said, to suggest that there should be a broad balance between payments and receipts from Brussels since the benefits of EEC membership are both tangible and intangible.

The contrary view of Dublin is that Mrs. Thatcher firmly focused the Community's attention on the British problem and that it took the Community one step further towards a solution which may be sealed at the next summit or the next but one in Venice in June. The British argue that the Community is like a supertanker and that changing its direction is a long and arduous and sometimes bloody process. As a result of Dublin, it is said, the £350m cut in gross contributions is virtually in the pocket. Further progress lay in the instruction to the Commission by the Dublin Council to examine ways of boosting Community expenditure in Britain as a means of further improving the UK's net position.

The Commission has done this and argued that a special budget line can be created under Article 235 of the Treaty of Rome to enable the Com*munity to help fund* a variety of social transport and regional infrastructure programmes in Britain and Northern Ireland. On Monday night Mr. Nigel Lawson, the First Secretary to the Treasury verbally brandished this document in the Commons as the great step forward

Unfortunately, the document only suggests *how the problem* may be tackled. It has nothing to say as to how much reduced the British contribution should be, nor for how long. The *remarkable and worrying* thing from the British point of view is that bilateral contacts have made virtually no progress in answering these questions since the Commission first produced its proposals at the beginning of February.

## Strong domestic pressure

Which brings us back to the question of negotiating tactics. *There seems* little doubt that the substance and tone of the British approach has been dictated from Downing Street. It is recognised throughout the Community that Mrs. Thatcher is under strong domestic pressure, but she has said little at home and abroad to demonstrate flexibility and to enable the Commission and the other eight to identify her target area for a settlement.

Neither has Mrs. Thatcher or her Government moved much to encourage progress across a *broader front than the purely* budget problem. In essence this means acknowledging France's demands for a package settlement including sheepmeat and agricultural questions and West Germany's keenness for a form of words on energy and perhaps the European Monetary System. None of these other issues will necessarily involve any major British concessions or commitments. But if the UK were to embrace them, the move would demonstrate some understanding and sympathy for a "theology" of community solidarity which has been elevated by others into a guiding principle for the last ten years.

# MEN AND MATTERS

## Looking forward to a quiet day

Since the *government* had the grace to show due reverence to the incoming Archbishop, it would have seemed reasonable that other institutions should also be ready to be flexible. It is not a view shared, I fear, by the insurance giants, the Prudential, Eagle Star, and Legal and General.

This unaccommodating trio, unmoved by the certainty that their past year's performance will receive only the barest mention in Budget-swamped newspapers, have stuck to their plans and *will announce their* results today. The coincidence of the announcements, I am assured from three sides, is indeed pure coincidnce.

They claim they all made arrangements independently, chancing on March 26 before bishop and Budget interfered: such is the complexity of these socio-economic affairs that a change of dates could not be contemplated.

"Our schedule is a firm fixture," said a lady at the Legal and General, "If you want to blame anyone you can put it down to the Archbishop." The spokesman at Legal and General for some reason found it difficult to stop laughing. He was probably relieved, I suspect, that this year he will escape being snowed under with Press demands for explanations of the accounts.

Down at the Pru, the tone was mildly malicious. "Perhaps the others have something to hide." I was told by an official who claimed in this company's defence that the last Wednesday in March was a traditional gathering date for board, district managers and others from the far-flung reaches of the Prudential empire. "Results *have always been announced on* this particular day. It's a tradition. But I could check since I'm new . . . I've only been here 10 years."

"Stick it back in the van, lads —silver's down 87.25p"

## Wax surrender

Wounds, as 35 post-war years have shown, tend to heal quickly under the exingencies of commerce. Painful, then, for the Singapore Government to discover the process working in reverse.

The officially sponsored development corporation charged with building up tourism on the resort island of Sentosa has come under pressure from affronted Japanese tour operators claiming their clients have been "embarrassed" by one of the resort's attractions—a waxwork tableau celebrating the surrender of the occupying to Lord Mountbatten in 1945.

The complaints have been taken very much to heart — Japanese visitors currentely outnumber British trippers by three to one. What is more, they spend a third as much again.

Faced with the impossible dilemma of soothing Japanese feelings, and at the same time not causing affence to British and local sentiments, the corporation has elected not to remove the exhibit. It has opted instead for a solution which — while hardly a compromise — has some merit as an attempt to set the balance of history to rights: almost £100,000 has been earmarked for a new wax exhibit *illustrating the British* surrender to Japanese invaders on February 15, 1942.

## Spy at the pump

For stockbroker William Legge-Bourke, the conventional wisdom about what the Chan*cellor proposes to do to drink* prices today (3p on beer, £1 to £1.40 on whisky, and 20p on wine) has a significance beyond either his personal consumption, or his job as the partner at Grieveson Grant responsible for the drinks industry.

Legge-Bourke is also a publican—he is proprietor with his wife of an 18th century pub in Crickhowell, South Wales. He admits that his manager's choice of stock for the place, praised in the new Egon Ronay pub guide, is at variance with his Stock Market recommendations. "He has strong ideas about what the customers want," he says. "The pub's in the middle of Bass and Whitbread country. We sell Theakston's, Marston, John Smith . . ." Bass and Whitbread are, as it happens, among Legge-Bourke's recommendations in the City. Does he drink their *products? "I like Marston's,"* he says guardedly.

A man who spends every weekend at the grassroots of his subject, Legge-Bourke forsees "a battle royal," intensified by the Budget, between the main competitors in the drinks trade. "I don't think the market will shrink, but a man can't go out and drown his sorrows if he hasn't got any money. There's going to be a big fight over market shares. I's very interesting to see, at the sharp end of the market, what the breweries are pushing and what they are not pushing. When you get these enormous pressures to buy you ask yourself 'are they losing market share?'"

Clearly the brewers should brief their very smoothest salesman for visits to the Legge-Bourke hostelry.

## Backing down

Armed with this week's announcement of a handsome gift from Gulf Oil to the Scottish National Opera, Arts Minister Norman St. John Stevas, I hear, plans a comprehensive tour of industry and banks to drum up more private sector patronage for orchestras and theatres.

*Gulf's example, he feels, will* prove a useful lever for application to reluctant sponsors.. At least he starts with plenty of scope since most of the organisations within his ministerial gift are in dire need of funds; not forgetting, of course, that there are fewer than 100 companies in Britain who offer anything more than token support to the arts.

Jostling for a spot at the head of the queue for aid stands Anthony Whitworth-Jones, administrative director of the London Sinfonietta. This much-*acclaimed 20th century music* orchestra is rapidly discovering that during these hard times any available cash tends to go the way of those playing mass-appeal *classical programmes*.

Last year, with £60,000 in backing from industry and bankers it staged a highly successful Stravinsky Festival. Greatly heartened at the apparent break-through among sponsors and the popularity of the music, Whitworth-Jones immediately laid plans for a *further festival in 1981*.

So far he has rounded up a solitary promise of £10,000 from a merchant bank and a thick pile of "sorry, but . . ." letters, which *leaves him £90,000 short of* target and two months away from the time when he will have to consider scrapping the whole affair.

## End of the line

Sign in the window of a Sussex pet shop: "Closing down owing *to expiration of leash*."

***Observer***

It's a fact

Most Industrialists came to Skelmersdale through recommendation by fellow Industrialists

Skelmersdale
Skelmersdale Development Corporation
Pennylands, Skelmersdale Lancashire WN8 8AR
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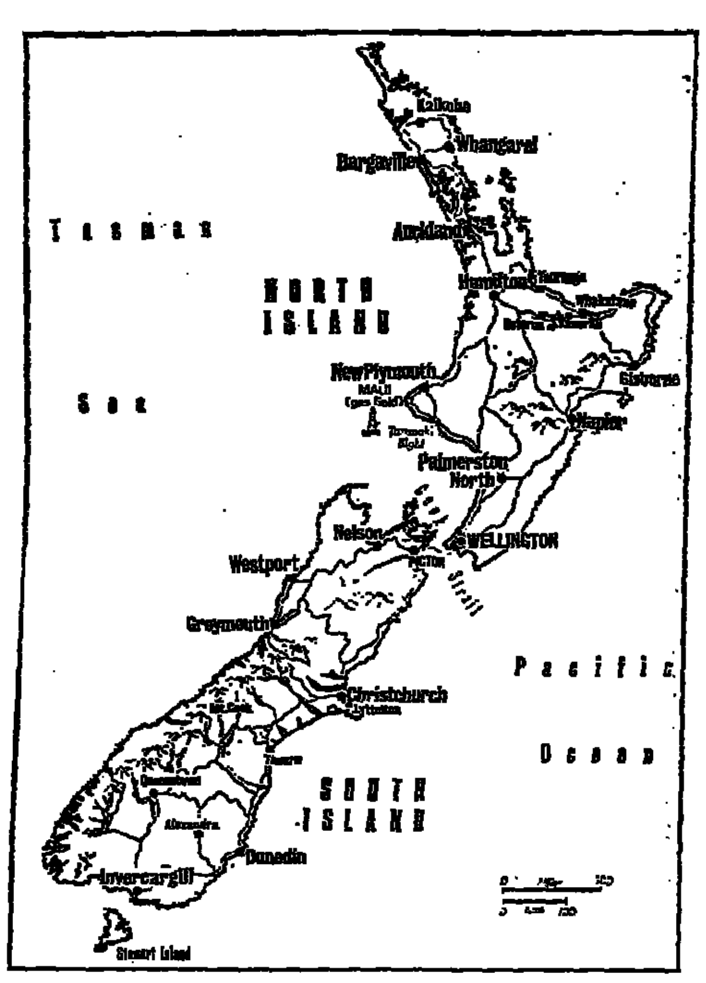
FINANCIAL TIMES SURVEY

Wednesday March 26 1980

# New Zealand

**New Zealand's quest to identify its proper role in the modern world is proving particularly difficult for a small nation which has traditionally relied on its European links. Given the will, however, its possesses a wealth of resources to enable it to overcome its problems.**




## CONTENTS



## Future lies in its own hands

**By M. H. Fisher**

On first impression New Zealand might serve as proof positive that "small is beautiful." In physical size the country *is certainly not small*, but with a population of around 3m it is to all outward appearances a rather complacent, conservative, prosperous and remarkably well integrated society. Yet as soon *as he scratches the surface* the visitor from Britain is struck by the fact that many of the *problems* which pre-occupy New Zealanders bear a quite remarkable similarity to those which the British have been *discussing seemingly forever*

*What should* be New Zealand's place in the world—or at least if not in the world in the Southern Pacific? What should be the relationship with Australia? This is a question which astonishingly raises *problems not dissimiliar* to those still being debated in relation to Britain's place in Europe.

How can an economy which has found it *very difficult* to secure growth in the 1970s be set once again on a sustainable path of expansion? How can secondary industry, which in parts is highly *inefficient* by international standards, be made more competitive? Underlying all *these questions, how* can one ensure that the Maori problem does not become *racially divisive?*

That such questions are being widely asked *only now instead* of twenty years ago—when answers might have been sought against the *background* of another decade or so of rapid world economic growth—is due *to the failure* of Britain to join the EEC in the fifties or gain admission in the first set of negotiations. By the time Britain did enter, the world was out of joint, growth slowed, the oil price rises hit New Zealand *hard* and *inevitably* the immediate anxieties—first and foremost the impact on the *balance* of payments of higher oil costs—overshadowed the longer term.

Many New Zealanders, from Mr. Robert Muldoon, the Prime *Minister*, *downwards*, *argue* strongly that the catalogue of problems should be seen against the brighter prospects which should open up for New Zealand in a few years' time. The country is rich in energy. There are large coal *deposits*, higher energy prices will permit the economic exploitation of additional hydro-electric resources, and there are large reserves of natural gas and condensate.

### Promising

The future of the pulp, paper and timber industries is highly promising. At present the annual cut amounts to 10m *cubic metres. By the year 2000* this figure should rise to 32m. But real growth will come only from 1990 onwards.

The prospects for agriculture are a lot *brighter than many* New Zealanders would have believed a few years ago when *they were much more anxious* about the effect of British membership of the EEC. (That does *not* mean that they are reconciled to the protectionism displayed by the EEC.)

The efforts to diversify agricultural exports both in terms of product range and *markets* have been remarkably successful. New Zealand agriculture *enjoys the advantage of low* energy inputs, being based on grass feed, with no need to add grain or compounds. This year the country actually does not have enough meat available to meet potential demand.

New outlets are being opened up for milk products and cheese in particular is seen as having great growth potential. (One *can only wish that more would* be done to produce varieties other than "mousetrap," though *it must be an encouraging sign* that commercial production of "Camembert" is to get under way this autumn.)

*Thus there is the tendency* to look to the light at the end of the tunnel (once again the UK *visitor sits up*), but as yet too little willingness to make *some* of the hard choices which present themselves.

*The fundamental dilemma* is that New Zealand must import in order to survive and must earn the money to pay for these imports by competing with its exports on world markets. But the main export-orientated in*dustries—farming, forest pro*ducts, aluminium smelting—can employ but a small proportion *of the labour force*. The *bulk* of the population is employed *in secondary manufacturing and* services, the former built up behind a wall of protection *through the licensing system*.

"The New Zealand economy as a whole must become internationally competitive. This means a larger *component* of internationally competitive manufacturing, producing in*puts for the export industries* at competitive prices, using low-cost, domestic land-based products as raw materials for high-quality, specialised, manufactured exports."

### Rigidities

If this is to be achieved—and *it cannot be done overnight*—a number of rigidities in the system will have to be tackled. *First and foremost is the import* licensing system which should give place to straight tariffs. It *enables protected industry* to operate on a cost-plus basis with the unions basing their wage demands on what they think the *New Zealand* market will bear in a generally inflationary climate.

*Licensing* applies not only to imports. Road haulage is subject to the system, so that, for example, in the middle of the *current energy crisis a carrier* taking a load outside his area is not allowed to take on a *return load. It applies, to give* another example, to meat processing plants—crucial to the export performance.

The trade union structure—New Zealand boasts 197 trade unions—is ill-adapted to industrial change. Attitudes are very similar to those found in the UK, in some instances "more *so." In reply to a question about* trade union attitudes to foreign investment, I was told by a very senior man in the movement that it had to guard against the *danger that foreigners using* cheap New Zealand resources and labour might "flood the *world with cheap goods.*"

Another problem, particularly important in the context of the future of the free trade area arrangement with Australia and its possible extension is the stranglehold *which the trade unions—on* both sides—have established over trans-Tasman Sea freight. *It costs more to ship* a tonne of steel from Auckland to Sydney than to ship it from *Auckland* to London and back to Singapore.

Even the continuation of productivity growth in farming is questioned by some. *Land* prices have been shooting up and there are those who ask *themselves why a farmer* making a reasonable income and sitting on a fast appreciating asset should bother to work even harder. Having met a number of farmers I do not rate this danger as very great for the present.

That the Government is aware of the need for action *there can be no doubt. Only* last month it announced a plan to restructure the textile *industry* which is bound to cause some pain. But Mr. Muldoon is essentially a cautious man. He is very *conscious of the employment* implications of any action taken to make vast areas of *industry more competitive*, not least because of the impact on young Maoris seeking their first job at a time of high unemployment. There is the threat of real tension here.

Faced with the question of *what to do about closer links* with Australia he chose to ask the civil servants to look at the options rather than giving a clear political lead. The predictable result was the greatest inter-departmental battle seen *in Wellington for many a day*.

Yet the Prime Minister would argue that change cannot be rammed down *New Zealanders'* throats, that change must not endanger the social cohesion of the country. It is an argument which *has considerable force*. The judgment of just how fast one can move is a fine one. It *is complicated by the fact that* some long-cherished assumptions are being challenged by forces both inside and outside the country.

### Welfare

The slowing down of growth in the seventies coupled with the traditions of the welfare state have meant that expenditure on social services and *benefits now amounts to 23 per* cent of Gross Domestic Product compared with just over 13 per cent *in the 1950s and just over* 16 per cent in the early 70s.

New Zealanders who do not —in common with others—regard a rise in the "social wage" as equivalent to a rise in per*sonal* disposable incomes *have* reacted to the squeeze by voting with their feet. Emigration of *skilled* workers, particu*larly to Australia, has shot up*, with the result that high unemployment is coupled with severe *shortages of skilled* labour.

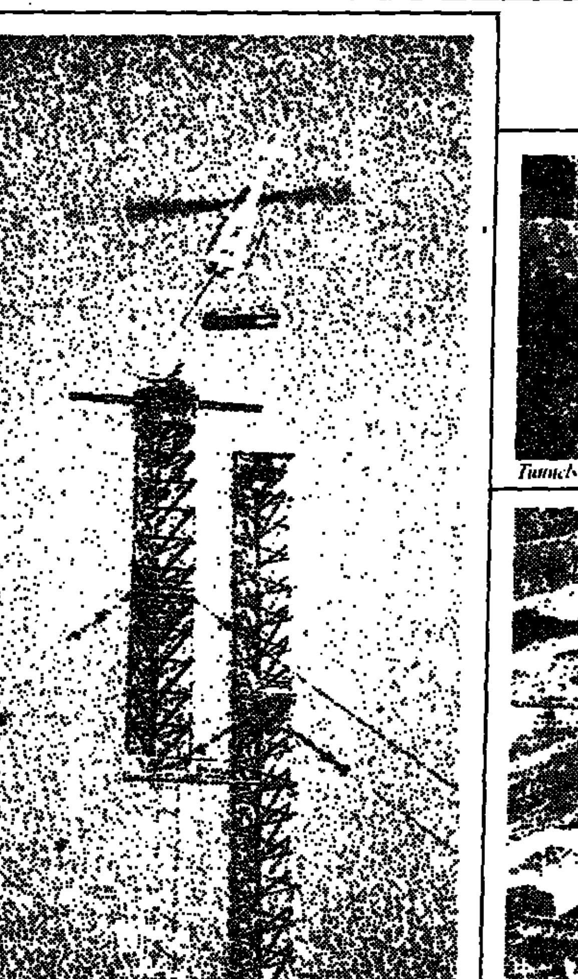
But when all that has been said—and in which developed *country would it not be pos*sible today to draw up a similar list of problems?—the en*couraging fact is that the diffi*culties are being discussed by an ever-widening circle of people, that the process of adaptation is under way. There are New Zealand companies which are only too anxious to *get a crack at the Australian* market. The leading company in the electrical white goods *sector is one. A company in* the small town of Palmerston North is exporting plastic tags for animals worldwide.

There is widespread realisation that change must come if the prospects for the late eighties and nineties are to be translated into reality. The balance of payments does remain a constraint but the deficit has been reduced since the mid-seventies. The exchange rate *adjustment last year (and export* incentives) have made exporting more profitable.

The *natural* resources are there, but New Zealand will need foreign capital to exploit them. It will have to go abroad *not only for money but for the* skilled manpower needed to develop its potential and will have *to arrest the drain of man*power abroad. It will have to accept that whatever the strength of historical ties with the UK its future must lie in much closer links with Australia and the whole *Pacific area*.

Contrary to what many New Zealanders were arguing when the trade ties with Britain were first threatened, their salvation does lie in their own hands. *More* and more of them have recognised this in principle. How it can best be achieved in practice is the topic of debate *in the country right now*.


*Manufacture and marketing of specialised equipment.*

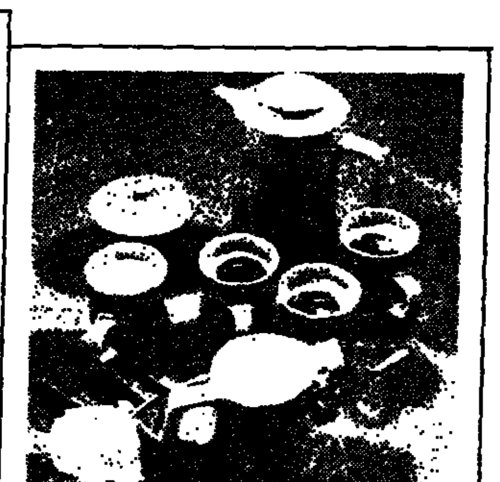


*Fabrication and erection of structural steel, towers, etc.*

*Tunnels and motorways: specialised lighting.*

*Design and construction of switchgear installations.*

*Wharves, bridges, factories.*



*Stoneware: a sideline to electro-ceramics manufacture.*

# CPD GETS THINGS DONE

**The Cable Price Downer Group of Companies — a vigorous organisation operating in all major fields of engineering and servicing the capital goods market in New Zealand — with an innate strength that lies in a unique blend of individualism and joint cooperation in the activities of its member companies — working together providing complementary services — working separately providing specialist skills — sometimes in competition — sharing common facilities in administration, finance, properties, and sharing the common aim of better production, better sales, better service to customers and clients — forming a substantial part of the backbone of New Zealand's industrial effort — contributing to the domestic economy and to export earnings.**

Utilising total assets of $120,000,000 financed by $53,000,000 of Shareholders' Funds, the Group's 3,700 employees operate from over 150 locations throughout New Zealand and produce an annual turnover of $225,000,000.

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On the mechanical engineering scene the manufacture of heavy structural steel fabrications, rock crushers, locomotives and similar plant and equipment is commonplace and provides a suitable adjunct to the jobbing repair and replacement service provided to industry in general and to shipping.

The manufacture of plant and componentry under licence or to *our own design supplements* the comprehensive selection of capital goods and materials imported by our merchant companies.

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**A. & G. Price Ltd**
A *founder member* of the Group, with a spread of interests in mechanical, electrical and *structural engineering, general* contracting, steel foundry work and the hiring of construction equipment, with *facilities for* the manufacture of solid fuel heaters, sheet metal fabrication and *industrial* finishing. Plant hire depots and agencies throughout the North Island.

**Amalgamated Batteries Ltd**
The only wholly *New Zealand*-owned manufacturer of electrical storage batteries for automotive and commercial use. *Wholesalers of auto-electrical* parts.

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**Giles & Elliott Ltd**
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**McKenzie & Holland (N.Z.) Ltd**
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**The National Electrical & Engineering Co. Ltd**
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**New Zealand Insulators Ltd**
Manufacturers of electro-ceramics, insulators, power line equipment, wiring devices, low voltage circuit protection equipment and *pottery for* domestic and commercial use.

**Teagle Smith Ltd**
Merchants of engineering, industrial and automotive tools and equipment.

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# Economy awaits the return of sunnier days

NEW ZEALAND, like Britain, has been slipping from the rangs of the richer nations. The comparison with the far but still dear mother country is too close for comfort—several years of stagnant or falling per capita income; rising unemployment; falling investment; huge budget deficits; high inflation.

Both nations have the same real or imagined saviour—energy. Maui gas and South Island hydropower are as significant for New Zealand as is North Sea oil for the UK.

The similarity should not be allowed to go too far, however. That would be unfair to New Zealand. For all its faults, its economy still has a major sector where it excels. Its farmers are as good as any and better than most in the world in converting grass into meat, wool and dairy produce.

New Zealand has another advantage. Economic malaise has not been accompanied by a brewing of serious class and social tensions. Indeed the cohesion of this small, self-conscious and conservative society may be making economic adjustment more difficult.

The New Zealand economy at present resembles a small animal curled up tight in a ball, snuggling into itself to keep out the cold. The country—and its creditors—await the spring sunshine in the form of massive resource projects which will dramatically raise investment, cut imports, increase exports and pay some of the bills accumulated since 1974—the Indian summer of the post-war New Zealand economy.

There is not much doubt that the season will change. But the later it does so the shorter and paler the ensuing summer.

The nation's economic performance since 1974 has been poor by any standard. The figures for Gross Domestic Product (GDP) are depressing enough. In the March year just ending, GDP is estimated to have grown by 1.5 per cent. But all the forecasts suggest that a decline of similar size is likely in the year about to begin, keeping New Zealand in the one step forward one step backward pattern that it has been showing since 1975.

The GDP figures are only part of the tale of woe. Slow or zero growth might have been acceptable for a mature economy adjusting to adverse external circumstances. But so far New Zealand has done very little in the way of adjusting to changed circumstance. It has been sitting tight waiting for something to turn up.

The strains have mostly been borne by the balance of payments current account. That has been in deficit by amounts ranging from a high of NZ$1.4bn in 1975 to a low of NZ$550m in the year the March 1979. For the year just ending it is estimated at around NZ$750m. These are big figures by any standard, amounting to between 3.5 per cent and 14 per cent of GDP. They have resulted in a rise in government debt—now the main source of balance of payments deficit funding—from only NZ$465m at March 1974 to NZ$3.7bn five years later. The March 1980 figure is not yet available but is sure to be well over NZ$4bn. It is rapidly approaching 25 per cent of GDP.

The rise in term debt has not been matched in any way by an increase in liquid assets in the form of foreign exchange reserves. At September these were only NZ$910m, or 17 per cent (just two months) of annual imports of goods and services.

## Ratio

The ratio of the current deficit to GDP even in the most favourable recent year (1978/1979) was nearly half as big again as the 2.5 per cent that the planning council thinks is an acceptable and sustainable level. Even rapidly growing developing nations usually estimate that a 4 per cent current deficit to GDP ratio is about the maximum that can be prudently sustained over time.

What is potentially most alarming about New Zealand's debt is that it has been accompanied by a continuing fall in fixed capital formation. The components vary from year to year between public and private, building and equipment. But overall the trend is downward.

The country has so far had little difficulty in financing its external deficit. There is reason to believe, however, that it has been fortunate (in the short term) in having been able to avoid crisis measures or submit to doses of nasty International Monetary Fund (IMF) medicine.

**REAL GDP GROWTH AND BALANCE OF PAYMENTS DEFICITS**

| Year to March | Average annual real GDP growth % | Average balance of payments current account deficit as percentage of GDP |
|---|---|---|
| 1960-69 | 4 | − 1¾ |
| 1970-74 | 4½ | − 0½ |
| 1975 | 4 | −14½ |
| 1976 | 1 | − 9 |
| 1977 | 0 | − 6½ |
| 1978 | −3 | − 4¾ |
| 1979 | 2½ | − 3½ |
| 1980* | 1½ | − 3½ |
| 1975-80* | 1 | − 7 |

*NZIER estimate.

There are two reasons for this. First, the smallness of the economy has meant that by international standards the borrowing requirement is not very large in absolute terms. Secondly, as a White Anglo-Saxon developed country, it has so far escaped the close examination that might be applied to developing countries with similar external positions.

New Zealand's international standing has also enabled it to borrow a large part of its needs from international bond markets at fixed rates. At a time when LIBOR-based borrowings are costing close to 20 per cent, that is fortunate. However, borrowing costs are now such that there is an evident danger of the country being sucked into a debt-servicing vortex that could mortgage for years ahead many of the benefits of forthcoming energy developments.

One of the few improvements that the economy has seen since 1975 is that exports in volume terms have grown slightly faster than imports, staunching the 1973-75 outflow when imports boomed, exports slumped and the current deficit hit an amazing 14 per cent of GDP. After three years in the red, merchandise trade moved back into the black in 1976-77 and recently the surplus has been running at an annual rate of about NZ$600m.

But the deficit on investment income has been rising alarmingly—from NZ$125m in 1972-1973 to NZ$250m in 1975-76 and to over NZ$500m last year; it could reach NZ$700m in the current year. The majority of these payments now are interest on debt rather than, as in the not too distant past, local earnings of foreign companies.

The services deficit has also been rising rapidly because of escalating freight costs and general inflation and is now running at an annual rate of over NZ$ 500m. Interest on Government debt alone now totals some 6 per cent of export receipts. Interest cost is now a very significant item in the current account and becoming ever more so as rates rise while export volume remains close to static.

## Confident

The Government remains very confident that it will have no difficulty in financing the big capital-intensive energy and resource-processing projects in the pipeline, which could need NZ$2bn or more over the next five years. In themselves the projects will doubtless be very bankable. But given the existing levels of debt and the unlikelihood that even after excluding the big capital projects, the current account deficit will be reduced in the foreseeable future, and given the current less promiscuous attitude towards international credit being shown by big banks, New Zealand may find that it is asked to present some evidence that it is taking steps to put its house in order rather than simply waiting for the returns on the energy projects to start flowing.

New Zealand has been unfortunate. It saw its terms of trade collapse from a peak of 113 in 1973 to 72 in 1976. The index recovered to 89 by mid-1979 but has since slipped back a couple of points. At the same time New Zealand has faced increasing barriers to its traditional lamb and dairy trade with the UK, a very severe problem for such a narrowly based export economy.

It must be noted, however, that the terms of trade deterioration has been no worse than that faced by most non-oil primary exporters, or developing oil-dependent nations such as South Korea or the Philippines. Secondly, though export prices for its farm products have sometimes been disappointing as a result either of EEC restrictions or dumping, New Zealand has had no problem in disposing of its output.

The fundamental problem has not been markets but faltering production. Instead of concentrating attention on export production to narrow the balance of payments gap, the focus of the Government's economic policy has been, it seems, to maintain demand, manufacturing output and thus employment at the expense of the balance of payments.

To the average New Zealander this policy may appear to have failed. Unemployment, which had been almost unknown since the war, jumped from nowhere to 22,000 in 1978 and has since continued to climb to 27,000, excluding some 25,000 persons doing special relief work, either for the Government or subsidised by it.

Unemployment would have gone significantly higher without net emigration—30,000 last year, mostly to Australia—largely offsetting natural labour force growth. The unemployment surge, now nearly stabilised, was a consequence of the Government's attempt in 1977 to bring its own deficit and that on the balance of payments down to manageable levels.

However, despite increased unemployment real personal incomes have not fallen to the extent that national income suggests they should have done.

Between 1973 and 1979 per capita GDP (on a constant price basis) was virtually static. Meanwhile terms of trade deterioration are estimated to have cut effective income by about 6 per cent. However real disposable incomes per head of wage and salary earners actually slightly increased during this period, despite some year-to-year fluctuations. At the same time Government consumption and transfer spending has been keeping ahead of inflation.

What has been happening overall is that consumption has been absorbing an ever increasing percentage of GDP at the expense of investment. Real wages and transfer payments have kept ahead at the expense of farm income and profits.

The economy is now stuck in a stationary cycle in which the two main variables are the terms of trade—up last year, probably down this year—and the Government deficit, which is clearly linked to the election cycle.

In preparation for the 1978 election the 1978-79 budget deficit more than doubled to NZ$1.4bn, or 9 per cent of GDP, and helped generate a 2.5 per cent GDP growth. The 1979-80 Budget cut back the targetted deficit to NZ$1.1bn at a time when an improvement in export prices was providing modest domestic stimulus.

No drastic measures are being contemplated to lift the country out of its deep rut of near zero-growth and chronic current account deficit. Mr. Muldoon told the Financial Times that "the rate of economic activity won't be permitted to drop." The world, he said, had to live with deficits because of the price of oil and therefore cutting back demand was "no solution" to the economic problems New Zealand faced.

## Populist

What that solution may be is not easy to see in the context of political possibilities and social expectations. Mr. Muldoon, despite his Right-wing image, is a populist rather than a free marketeer. He is sceptical of those economists, officials and some fellow Ministers who think that letting rip market forces would rationalise the economy and release new productive forces. For example, he sees "no merit" in removing import control through licensing.

The Labour Party is even more strongly wedded to such controls. It attributes to them the growth of the industrial base and the maintenance of full employment within a context of substantial immigration and the extension of social welfare services which occurred in the post-war period.

In retrospect that was a golden age. Admittedly, benefits were achieved at the cost that gradual loss its original place near the top of the world's per capita income league. But the price was acceptable. It is now all too clear that the prosperity was based largely on a high and steady 3 per cent a year increase in agricultural production and productivity which lasted up to about 1970. Terms of trade were satisfactory, so the farmers earned to earned to foreign currency to support the import dependent manufacturing and service sectors.

It is debateable to what extent the farm output boom was due to technical advances such as aerial top dressing which are not easily repeated and to what extent due to high investment encouraged by firm prices and government policy.

But agricultural growth came to a halt almost at the same time the oil crisis hit, exposing the import dependence of the other sectors and the very low levels of productivity being achieved throughout much of import substituting manufacturing.

The political necessity to maintain employment and real wages in manufacturing has been burden enough for the economy. But the process of adjustment to external realities has not been helped by the Government itself.

New Zealand's tightly knit society has always been welfare-orientated, pioneering welfare in the last century and strengthening it in the late 30s in response to the world depression. It was natural that when Labour was returned to power in 1972 it would want to give welfare another boost and the buoyant 1972-74 period encouraged it to spend more. Government spending as a percentage of GDP rose from a static figure of around 32 per cent to near 40 per cent. Transfers rose fastest—from 10 per cent to 14 per cent, closely followed by current spending.

The Right-wing National Party Government which came into power in 1975 facing huge budget and balance of payment deficits might have been expected to reverse the spending trend. Though it achieved an initial reduction, spending has again risen to new heights—about 42 per cent of GDP—despite some success in cutting back subsidies.

The National Government also introduced a new pension scheme, more generous than anything proposed by Labour. Though the impact on Government finances of the scheme is not yet large, it will become so, particularly when the workforce ceases to grow rather more rapidly than the population.

The burden of Government recurrent and transfer spending has fuelled inflation and retarded the productive sectors. It is exacerbated by the tax system. Taxation is largely on income rather than expenditure—70 per cent is direct tax. The Government says it wants to reduce this proportion but so far its direct tax cuts have done no more than offset the effects of fiscal drag.

Though in the short run the heavy Government spending and budget deficits ranging from 4 per cent to 9 per cent of GDP may sustain demand and employment they must be considered a prime cause of inflation. Consumer price rises very nearly got back into single figures in 1978 as a result of depressed domestic demand and slow import price rises. But the budget deficit and a boom in money supply pushed the rate back up towards 15 per cent last year and any slackening due to domestic factors is probably now being offset by imported inflation.

Given the years of molly-coddling at all levels and the resistance of social and economic institutions to change, there is no painless way out of the now vicious cycle of low growth, balance of payments problems, Government deficits, inflation and declining investment. It is not difficult to argue that in the longer-run employment and the balance of payments would be significantly improved by opening manufacturing to much more competition — which would open more industries than it closed. But given current high levels (by local standards) of unemployment and the uncertainty of the short-term balance of payments effects it is not something that Mr. Muldoon, a politician first and foremost, is likely to risk.

The one measure which attracts most favour among bureaucrats and academics is a substantial devaluation of the currency to encourage farm output and help export manufacturers. In mid-1979 the Government took a significant step down in that direction. It devalued by 5 per cent and announced that in future the exchange rate would be set by reference to the movement of New Zealand costs *vis-a-vis* those of major trading partners. On that basis there has been further devaluation of approximately 0.5 per cent per month.

## Erosion

The new system ensures more security for exporters and should encourage longer-term thinking and investment. However, many consider it a quite inadequate response to the *serious erosion of farm incomes* which had been in progress for several years and which is often blamed fo the stagnation in output. The Government is unwilling to endure a major devaluation of the order of 20-25 per cent because of the consequences for inflation, rural/urban incomes, distribution and manufacturing employment.

Prices would rise and demand fall because of the high import content of most consumer goods. Farmers would take time to respond to price improvements with new investment, and the direct employment effect in rural areas would be small.

Instead of a radical currency move the Government has fallen back on two measures: further subsidies to manufactured exports—now based, rather sensibly, on value added—and higher minimum price guarantees applicable for two successive seasons for wool, meat and dairy farmers to try to encourage increased output.

Unless export prices slump this will not cost the Government anything as the new minimums are still below current export prices.

The effect of these two major moves remains to be seen. But critics of the Government maintain that they are typical of the paternalistic ways that have long dogged the economy.

**Philip Bowring**

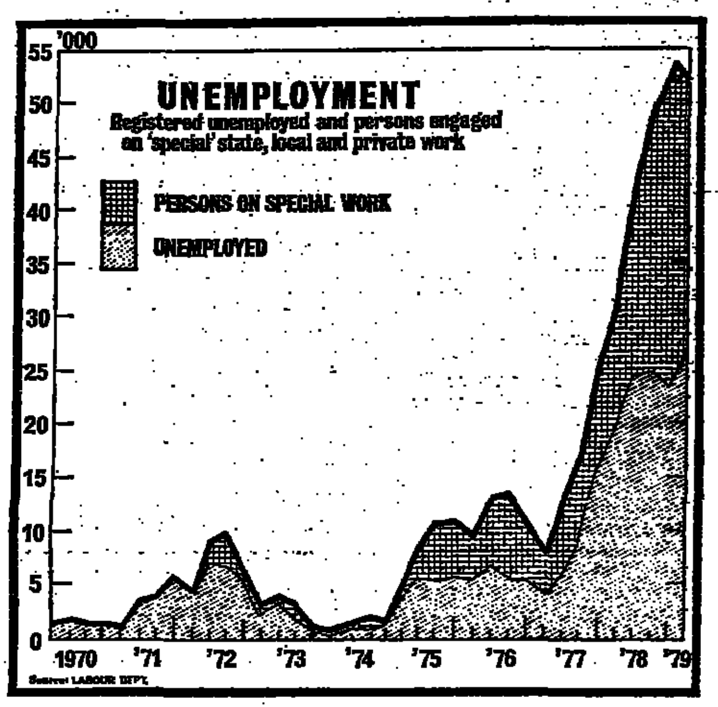
**EXPORTS OF MANUFACTURED GOODS**

| | NZ$m fob 1972 (June yrs.) | NZ$m fob 1979 (June yrs.) | Annual compound growth rate 1972-79 |
|---|---|---|---|
| Food | 9.4 | 27.3 | 16.4 |
| Beverages | 0.7 | 1.6 | 12.5 |
| Tobacco | 0.7 | 3.0 | 23.1 |
| Textiles | 16.4 | 71.0 | 23.3 |
| Clothing | 2.0 | 21.9 | 40.8 |
| Furniture | 1.3 | 15.4 | 42.4 |
| Footwear | 0.1 | 3.3 | 60.9 |
| Paper and board | 2.3 | 9.7 | 22.8 |
| Printing and publishing | 2.2 | 9.6 | 23.4 |
| Leather | 2.9 | 56.9 | 53.0 |
| Rubber | 1.4 | 5.1 | 20.3 |
| Fertiliser | 0.01 | 1.1 | 95.7 |
| Chemicals | 7.3 | 34.8 | 25.0 |
| Concrete | 0.7 | 2.9 | 22.5 |
| Metal products | 5.8 | 48.7 | 35.5 |
| Machinery except electrical | 14.7 | 76.0 | 26.5 |
| Electrical machinery | 5.7 | 31.1 | 27.4 |
| Transport equipment | 3.4 | 31.9 | 37.7 |
| Other manufacturing | 5.4 | 32.9 | 29.5 |
| Non-metallic mineral products | 2.7 | 11.8 | 23.5 |
| Basic metals: Iron and steel | 4.2 | 34.1 | 34.9 |
| Non-ferrous | 14.5 | 154.7 | 40.2 |
| Fuel products | 8.1 | 40.2 | 25.7 |
| Processed fruit and vegetables* | 4.0 | 17.4 | 23.3 |
| Other non-pastoral processed | 1.9 | 17.4 | 37.2 |
| Processed fish products | 2.3 | 1.1 | −11.1 |
| Wood pulp | 11.1 | 86.3 | 34.0 |
| Newsprint | 16.5 | 55.5 | 18.9 |
| Other paper products | 4.4 | 34.0 | 33.9 |
| Processed forest products† | 6.7 | 22.4 | 18.8 |
| Total manufactured exports | 159.7 | 959.5 | 29.1 |

Note: Some of these products are included as exports under other sectors.
* Excludes frozen vegetables. † Excludes roundwood.

**BASIC STATISTICS**

| | | | |
|---|---|---|---|
| Area | 103,736 sq miles | Trade (1979): | |
| Population | 3.1m | Imports | NZ$ 4.5bn |
| GNP (1978) | NZ$ 17.3bn | Exports | NZ$ 4.9bn |
| Per capita | NZ$ 5,535 | Imports from UK | NZ$ 314m |
| Currency | £=NZ$ 2.295 | Exports to UK | NZ$ 415m |




4
A CHOICE OF 4 FARES:
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One-Way YOX: £475. Up to 2 nights stopover.
FARES

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Hong Kong—Auckland: Each Wednesday and Sunday.
Singapore—Auckland: Each Tuesday and Saturday.
FLIGHTS A WEEK

7
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PACIFIC ISLANDS

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## NEW ZEALAND III

# Signs of less rigid voting patterns

THE GOVERNING National Party of New Zealand has been in office for 24 of the last 30 years. The opposition Labour Party, which built most of the original edifice of the welfare state during its period in office from 1935 to 1949, has managed to scramble back into power only twice since then, in 1957 under Sir Walter Nash, and in 1972 under Mr. Norman Kirk. And only on the latter occasion did it have a convincing majority in the small unicameral Parliament.

The National Party, then, has clearly been the normal party of government, but it would be wrong to assume that what has been true of the recent past will remain true for the immediate future.

As in other advanced societies party affiliations in the electorate generally have been weakening; there is wide-spread disillusionmnt with politicians, leading to greater volatility of opinion and voting behaviour. These factors have led to the growth of third parties as the recipients of protest votes, and to widespread expectations that the party in office will change more frequently.

### Visible

In circumstances such as these, political leadership is of the essence in electoral contests, and this fact, which is true in most Western countries, is given additional emphasis in New Zealand by special local factors. The country is a small one with fewer than 2m voters. It is a "village society" in which the spokespeople for political, social and economic organisations of all kinds are eminently visible, and in which the ladders to such positions of pre-eminence as these are very short. Thus Mr. David Lange, an Auckland lawyer who was elected deputy leader of the opposition Labour Party last November, only entered Parliament at the 1975 election, an occasion which also saw the election of Mr. Jim McLay, another Auckland lawyer who became Minister of Justice in the National Government a mere three years later.

In a context of such swift and clear visibility, coupled with declining party sentiment, the contest for office inevitably hinges on leadership capacity. Most observers, whether inside the National Party or outside, are convinced that the National Party's return to office in 1975 was engineered solely by the figure of Mr. Robert Muldoon, then leader of the opposition, now Prime Minister and Minister of Finance.

It would not be unjust to say that he is not a loved or revered figure among the populace at large. But he is profoundly feared—and he is feared because he is a political fighter who has made the art of what he calls "counter-punching" his principal weapon. Woe betide anyone who has attacked or might be thought to have attacked either himself or any of his Government's policies in public, because the Prime Minister will reply, often with a personal attack on the individual concerned, and, if appropriate, behind the safety curtain of Parliamentary privilege.

The public watches these encounters with a kind of fascination that walks the tightrope between admiration and contempt. Whatever else they might say about him the public made him, at the 1975 election, the figure in New Zealand politics, and it is a position he has managed to maintain to this day. His personality has become a central issue in New Zealand politics, and has accelerated the trend towards personality in political leadership as the vital element in party politics.

This process has made it difficult, if not impossible, for the leader of the Opposition, Mr. Bill Rowling, to establish the Labour Party as a credible alternative government. He is a shy and retiring man, slim in stature, with a weak speaking voice and a diffident manner that does not lend itself well to either public platform or television studio. By all accounts a good committee man and skilled administrator, he has not succeeded in establishing himself as a man of sufficient personal energy successfully to counter the sheer dynamism of Mr. Muldoon's aggressive political style.

Behind this unequal contest in the arena of public image building there do lie significant differences in policy between the two parties. They do not, however, have the differences that might be inferred from party labels. Thus the National Party, for all that many of its members and supporters think of themselves as the Conservatives of New Zealand, has actually been a statist party in office, nurturing public corporations, expanding social welfare provisions (it was National Governments which introduced both the progressive Accident Compensation Scheme, and the new high levels of retirement pensions), and employing a wide range of State subsidies to support both industrial enterprises and primary producers.

### Freedoms

By returns the Labour Party, whose roots lie in the trade union movement, is barely recognisable as a Socialist party in the European mould. It eschews rhetoric of class antagonism, has no policies for the nationalisation of industry or land, and in recent years has come to emphasise increasingly the importance of individual liberties and freedoms.

Working class representation in both the Parliamentary Party and the party in the constituencies has declined almost to nothing, and Labour can now perhaps best be thought of as a party of liberal reform offering what it sees as superior technocratic managerialism in office. So far it has not successfully impressed on the electorate any alternative strategy for dealing with the economic problems of inflation, wage stabilisation, unemployment or the deficit on the external account.

One policy difference between the parties is now, however, beginning to show in the field of economic restructuring. The National Government has begun over the past year to promote a programme of economic development designed to exploit the country's rich reserves of energy.

The National Development Act which went through Parliament at the end of 1979 created a "fast track" for investment in commercial projects thought by the Minister for National Development to be crucial for the economic future of the country. A sequence of decisions involving heavy investment in the exploitation of natural gas reserves have been under way since the middle of last winter, and the Government is now actively seeking foreign investment in industrial projects that will utilise the country's substantial resources of electricity, forestry and fishing.

In opposition to the Government's vision of the country's future economic well-being, the Labour Party is beginning to show signs of developing an alternative strategy for growth which lays emphasis not on foreign investment in capital-intensive projects but on the utilisation of what it clearly thinks of as the country's natural assets of creative talent—small-scale and high skill-intensive industries spread throughout the towns and communities, using the resources of the primary sector, and designed to appeal to a wide range of potential export markets.

Mr. David Lange has made this image of the future a centre-point of numerous recent public statements, but whether the party can come up with sufficient examples of what it has in mind to convince an electorate that is increasingly concerned with its economic future remains to be seen.

If the normal cycle of the electoral calendar is adhered to the next general election will occur in November 1981. For all his pre-eminence in the public mind Mr. Muldoon has never attracted the voting support of a majority of the electorate, and as time goes by (and in the absence of some polarising political crisis) is less and less likely to do so. The outcome therefore is likely to hang on the ability of the Labour Party with its current leadership to unify opposition to the government under its own banner. This is what Mr. Norman Kirk achieved in 1972. Some leader of corresponding stature could almost certainly do it again. But any reasonably objective observer would have to wonder seriously, whether Mr. Bill Rowling was that man.

**Keith Ovenden**
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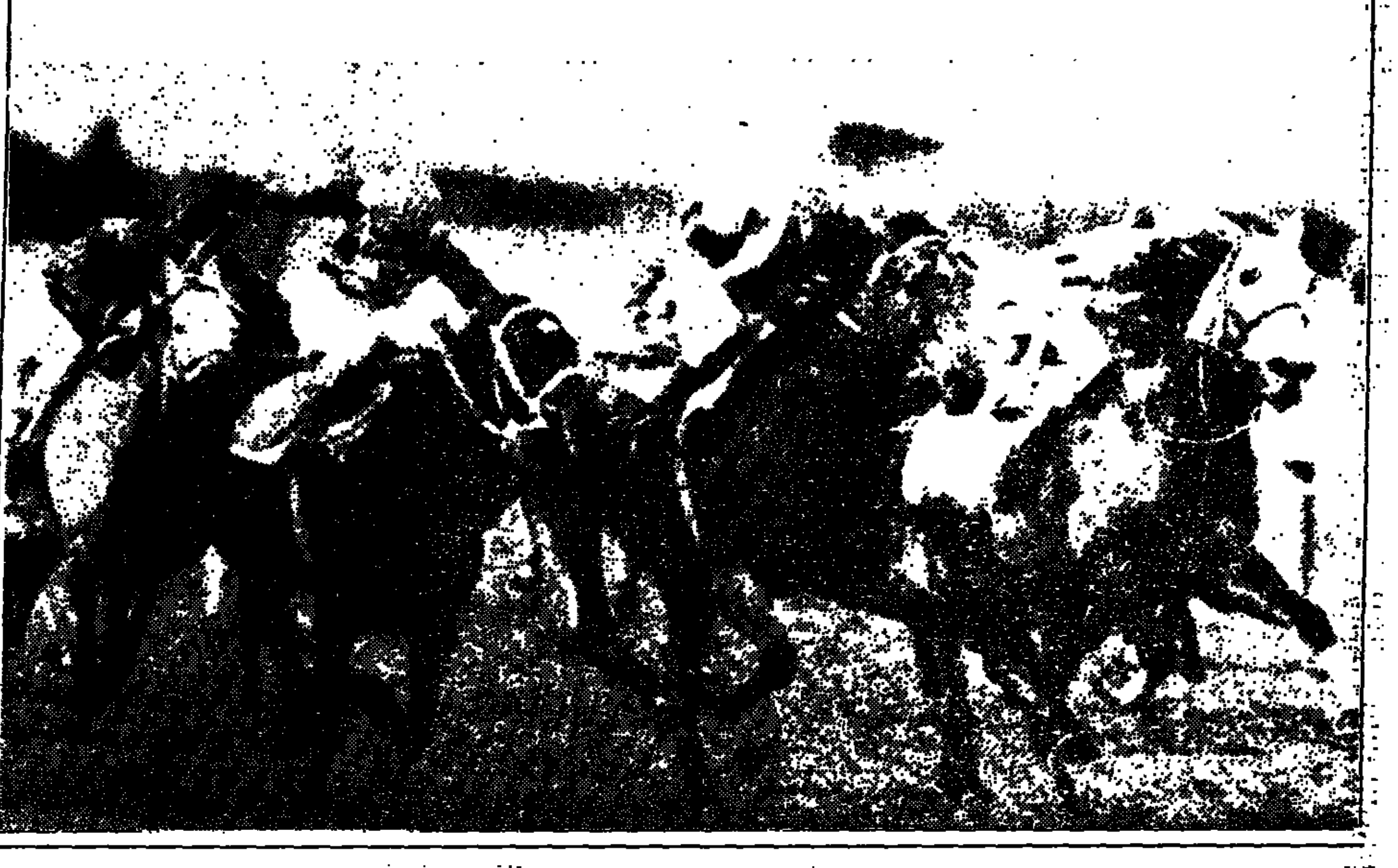

# White conscience troubled by Maori problems

TU TANGATA — which is variously translated as "Our stance as a people" or "Stand Tall" is the official catchphrase representing the New Zealand Government's development strategy for the country's indigenous Maori people. It reflects a recognition by the Establishment that "Maoritanga" — Maori culture and Maori Values — is on the offensive, after decades of indifference and neglect which threatened to reduce it merely to a "concert culture."

At the same time the "Pakeha," (a New Zealander of European origin) is passing through a crisis of identity, commonly ascribed to Britain's entry into the Common Market and a belated realisation that New Zealand's umbilical cord with the mother country has thereby been cut.

The implications of these twin developments — the first can be seen partly as a consequence of the second — are still being digested by both majority and minority communities. Within the two groups there are sharp differences of view over what form relations between them should take in the future, as well as to what extent the Maoris should develop their own linguistic, cultural and political identity. Many Pakehas are uneasy about the implied disturbance to hitherto harmonious race relations of the new Maori self-assertion.

Some Maoris fear that by cutting themselves off from mainstream New Zealand life their people will find themselves confined to second-class status at home and isolation abroad. Some aspects of Maori nationalism—for example the growth of Maori "gangs" — have alarmed Maori and Pakeha alike. What is generally agreed, however, is that old assumptions about "one country, one people" can no longer be taken for granted.

At the end of last year the New Zealand Planning Council (NZPC), which normally confines itself to advising the Government on economic development, produced a publication entitled "He Matapuna (a source) — some Maori Perspectives." While NZPC chairman Sir Frank Holmes believes that "there is strength in diversity," he also says that he sees "signs of real problems" for race relations in New Zealand as a result of an imbalance in the rate of achievement between Maoris and Pakehas.

*Maori girl at Tikitere (Hell's Gate), Rotorua*

The Pakeha dominance in decision-making is understandable given that the Maori makes up less than 10 per cent of the total population. In addition intermarriage since the World War II has resulted in there being few, if any, full-blooded Maoris left. For census purposes a Maori is so defined if he or she has 50 per cent or more Maori blood. By this definition there are 270,000 Maoris, with a further 50,000 who claim significant Maori ancestry. As there is no proof required by the authorities, on the whole a Maori is a Maori when he or she says so. At a time of rising nationalism, more and more New Zealanders are laying claims to their Maori roots, at the same time attempting to analyse the defects in the existing Pakeha-dominated cultural norm.

The existing New Zealand educational system is one aspect of society which many observers feel is failing the Maori. More than 75 per cent of Maoris leave school with no recognised academic qualifications. This is in turn reflected in the juvenile crime statistics. By their seventeenth birthday 40 per cent of the boys and nearly 17 per cent of the girls will have appeared before the children's court at least once; Maoris make up more than 40 per cent of those in penal institutions.

The Secretary of Maori Affairs, Mr. Kara Puketapu, identifies a major cause of both developments as the rapid movement of Maoris from rural to urban areas over the past forty years—some 70 per cent of Maoris now live in towns. As a result the present generation finds itself far from its tribal roots and traditional cultural values. This rupture is frequently accompanied by low economic and social expectations in a predominantly Pakeha environment.

This problem is confirmed by Dr. Peter Sharples, Assistant Race Relations Conciliator in Auckland, which has the largest Polynesian population in New Zealand. "On a surface level our race relations are the best in the world—in terms of who you live next door to, who you play rugby with, who you marry. But if you choose different indices—educational non-achievers, the unemployed, people in prison and those suffering from mental illness, Maoris are over-represented."

The catalyst for many people's anxieties about the possibility of serious racial tension was the re-emergence of Maori gangs in 1978 and their popularity not just among the unemployed teenagers but among men in their late twenties and early thirties. But although the gangs have names like "Black Power" and "The Storm-troopers," they are, according to Dr. Sharples, "Maori up to their eyeballs." Both the Race Relations Office (now part of the Human Rights Commission) and the Department of Maori Affairs have been working closely with the gangs to channel their energies into Community projects and to encourage their identification with Maoritanga.

The Department of Maori Affairs has spent NZ$120,000 on a scheme to send young city Maoris from all over New Zealand back to their tribal area, the Marae, on two-week visits. Prime Minister Robert Muldoon takes a personal interest in the gangs and spent a well-publicised evening drinking with them in their own territory. A social worker who watched this event commented: "What Muldoon's involvement has done is that it's stopped the Conservative (National Party) Government being really hard-line. The PM doesn't take a high profile but is always interested and tolerant."

Efforts to contain gang violence have been assisted by the lack of obvious political commitment on the part of young Maoris—in contrast to their radical counterparts in the U.S. or Europe. According to their elders many young Maoris are willing to be turned back towards their roots in an essentially conservative traditional tribal society. However, they are not expected to return to the land on a permanent basis and efforts are now being directed towards the creation of urban Maraes.

This tolerance and understanding on the part of the Pakeha Establishment seems to have paid off. Many gang members have become involved in community projects funded by the Labour Department. The Department of Maori Affairs encourages dialogue with the gangs and tries to persuade young Maoris to take part in educational projects and training schemes. But not everyone approves of what is interpreted by some as a "kid-gloves approach."

Another sensitive issue on which there appear to be many different views is the extent to which there is tension between the Maoris and the Pacific Island community. Many Pakehas point to a number of incidents in Auckland between rival Maori and Pacific Island gangs as evidence that any racial strains to be found in New Zealand do not necessarily involve the Pakeha. But Dr. Peter Sharples disagrees: "This [Maori-Pacific Island confrontation] is a great myth. There is occasional tension between ethnic groups in any urban environment. But the real test is to be found in the suburbs and rural areas. Here we find tension is minimal and co-operation between Maori and Pacific Islander almost always excellent."

**Kathryn Davies**

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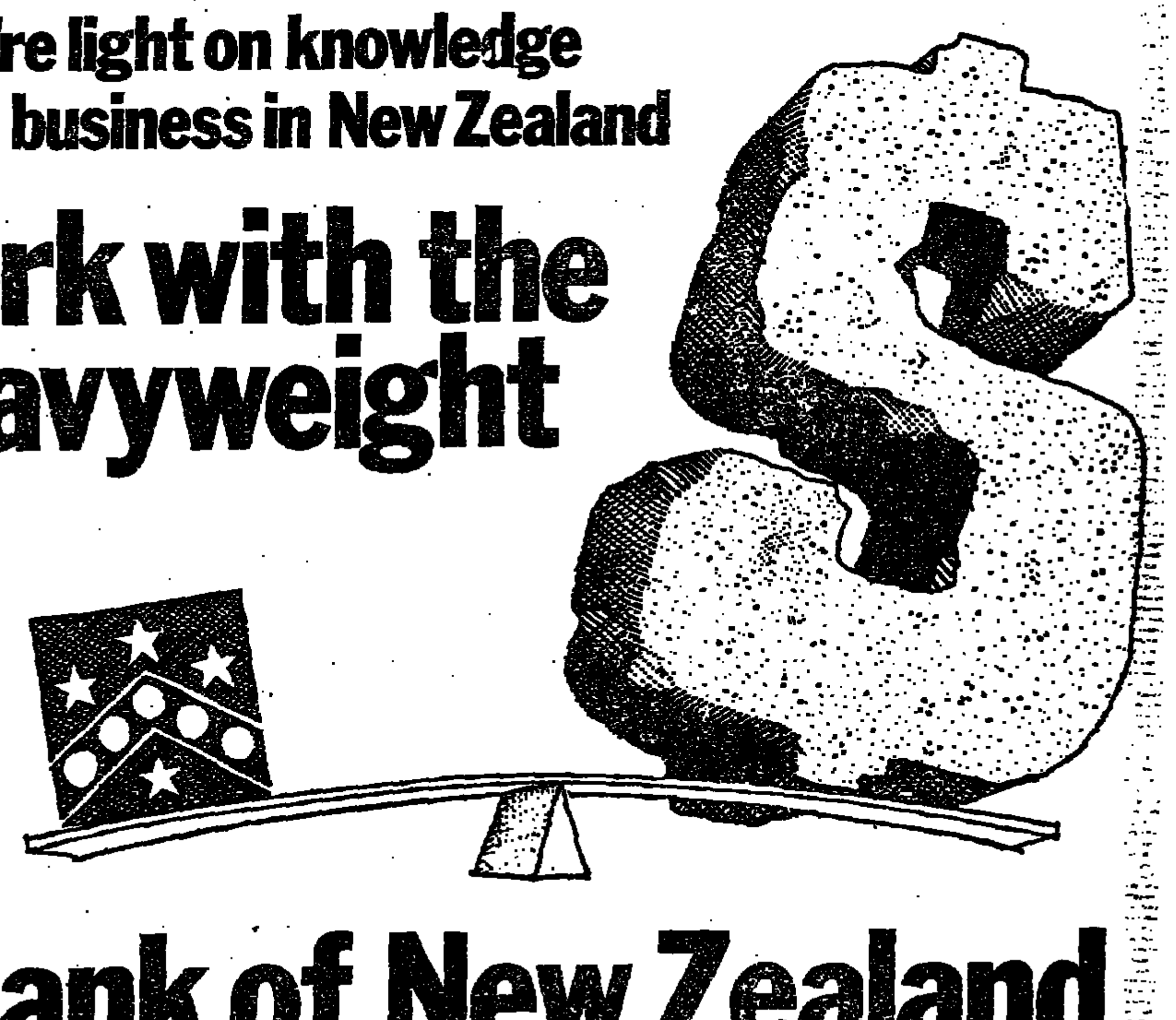

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# Fears over EEC policies

NEW ZEALAND fears the introduction of an EEC Common *Agricultural Policy covering* lamb and mutton imports — no matter how lenient this might be initially — because it believes it will only be a matter of time before the regulations are amended and tightened to reduce lamb imports, push up prices and upset the balance of lamb sales in the UK and other Common Market countries.

This would have disastrous consequences for New Zealand's meat industry and economy. New Zealand also believes it would have disastrous long-term consequences for the consumer—who is mainly but not entirely the British housewife — and for the EEC tax payer.

Inevitably the price of all lamb and particularly NZ lamb would be priced off the normal British family menu say NZ EEC observers and meat industry officials.

The country has now lived under the threat and uncertainty of Common Market restrictions for butter and lamb for over a decade. The dairy industry has had to cope with ever-increasing restrictions and problems — particularly for butter. It has also seen the effect of the community's CAP policy for beef.

Meat industry officials are quick to point out that the EEC beef regulations were originally intended to be only "temporary." *In fact over the past seven* years the result of the regulations has been to put more than 1m tonnes of beef into storage and to create a stockpile of hundreds of thousands of tonnes—as well as imposing a heavy financial burden on the EEC. At the same time former beef suppliers have been shut out of the market.

The dairy industry has also suffered from a succession of reduced quotas and restrictions. Lamb producers are convinced they would face similar increasing restrictions and price increases on lamb once any initial regulations were *imposed.*

## Arguments

At every opportunity over the past four years, first the Meat Board and latterly Government officials have reiterated basic facts and arguments explaining the situation of the meat industry and its century-old role as a supplier of large quantities of lamb to the EEC countries and particularly to Britain.

They stress that the EEC produces less than two-thirds of its sheep meat requirements and only in two countries—France and Britain—does the sheep flock total more than 10m. Except in Britain, France and Ireland, annual consumption of lamb and mutton does not *exceed more than two kilos per* head of population. In fact the only two real lamb-consuming countries are Britain and Ireland.

The major problem in considering a common sheep meat policy is the huge difference between lamb prices in France *and Britain. In France it is an* expensive luxury meat but in Britain it is a staple low-priced meat eaten by the bulk of the population.

Any policy which tried to strike a balance between the two price levels would mean a big jump in lamb prices in Britain, where more than half the Community's lamb and mutton is consumed. The Meat Board has estimated that if the original proposals for an EEC lamb policy had been introduced there would have been a jump of at least 20 per cent in the British retail price. This is already carrying a 20 per cent import duty applied to New Zealand lamb shipments to the UK.

This levy is ultimately paid by the NZ meat producer and adds considerably to his already increasing costs—costs which have made a drastic difference to the profitability of the meat-producing farmer over the past decade. Lately there have been suggestions that a quota could be applied to NZ lamb exports to the EEC at around the 200,000-tonne level, which is the average needed by the British butcher each year. New Zealand is also nervous about this proposal.

The Minister of Overseas Trade, Mr. Brian Talboys, has explained that New Zealand's *experience* with "voluntary" restraints and quotas in the American beef market has shown that these create immense problems, restrict his country's ability to trade commercially, and in the long run react on the consumer.

New Zealand appreciates the political and social need to maintain existing sheep farming in the Common Market countries. Most EEC sheep farming is carried out on poor quality land and officially listed by the EEC as "disadvantaged" areas. The need to ensure that these farmers, particularly in France, continue to make a living is recognised. But New Zealand does not believe that jeopardising the whole future of the lamb and mutton trade in Britain and the other EEC countries by establishing a price level which makes it a luxury meat is the best or most suitable way to do this.

A comparison of sheep farming in New Zealand and France *highlights* the different nature and structure of the industry and the incompatibility of bringing the two in line in some artificially contrived pricing system. More than 90 per cent of French sheep farmers have less than 100 ewes. More than half have less than 20 breeding ewes. The average NZ sheep farm owner has *2,295* sheep per man. *New* Zealand believes the best way—and the one which would cause less disruption—to maintain the European sheep farmer would be by direct financial support.

In the long run this would almost certainly prove to be a more economical way of dealing with the problem and would *leave the regular consumer of* lamb a reasonably priced commodity. It has frequently been said in New Zealand that previous EEC regulations and policies appear to concentrate entirely on the needs or benefits of the producer while ignoring the long-term disadvantages to the consumer.

*The dairy producers in* New Zealand fail to understand the logic of a system which viewed from 12,000 miles away appears to deny the European housewife the opportunity to buy reasonably priced butter while at the same time preventing an efficient industry in New Zealand from producing it. Dairy Board *officials frequently* point out that the EEC policy is forcing Europeans to eat margarine in preference to butter because of the price differential. They believe the EEC policy is destroying its own market for its own EEC-produced dairy products. Some New Zealand observers are confident that *the sheer cost of* intervention and the EEC CAP policy on butter will together force a change.

Some NZ optimists are confident the EEC will get its dairy production problems under control by 1985. Consumer pressure will force these changes, they say. When NZ dairy farmers read that the EEC subsidy per cow in Britain is the equivalent of $NZ220—double the return they receive from a milking cow for a whole year—they are bemused. They cannot help comparing their lot with that of the European dairy farmer. In the EEC prices are based on the cost structure of a five-cow per-man farm. In New Zealand a one-man farm has 104 cows over which to *spread* production costs.

The NZ dairy farmer, many of whom are of Irish descent, have been hurt at recent pressure from Irish farmers and producers to push NZ butter entirely out of the British market. It has been pointed out here that Ireland has a self-interest in pushing NZ produce out of the UK but dairy industry leaders do not believe that Ireland's dairy problems would be solved even if NZ butter imports were further restricted. The problems of the Irish dairy industry, which is only *80* per cent as big as New Zealand's, are EEC *problems, they say,* and the result of EEC policies.

## Stability

The Dairy Board would like to see some stability introduced into the EEC reconstitution levels. Efforts by New Zealand to find other markets for dairy products have been affected by the EEC reconstitution policy which some New Zealanders declare is only a polite term for "*dumping.*" *If the* reconstitution level were to be adjusted in some minor ways relative to the value of the U.S. dollar, New Zealand believes the resulting stability would help to develop dairy markets outside Europe. The NZ dairy farmer has seen a number of changes introduced to agreements and gradually worsening conditions governing his trade with the EEC over the past few years.

It is the uncertainty as to what restrictions and limitations may be imposed in the future which creates as much concern as the actual restrictions themselves.

The best news NZ dairy farmers have heard from the EEC for some time was the reduction in late February of dairy export subsidies, the very large amounts paid by the Community to get rid of its excess dairy production. These produce exceptionally low world butter prices, which New Zealand regards as unfair and unrealistic. The cuts in the subsidies, first introduced late last year, have helped bring world butter prices more in line with actual production costs.

The subsidy policy which has enabled the Russian housewife to buy European butter more cheaply than her West European counterpart has long puzzled the New Zealand dairy farmer. The reduction in subsidies will help improve his returns during 1980 and possibly assist the *Dairy Board in* developing markets outside Europe. But continued access to the British market, which provides a third of New Zealand's butter export earnings, will remain vital both for the industry and the country.

**Dai Hayward**

# Neighbourly role in the Pacific

NEW ZEALAND is a very small nation by any standards except those of its neighbours. It is a giant among the micro-States of the Pacific and it is toward these States that New Zealand has looked to describe a role for itself, to find a group in which it is near the top of the pecking order. Of the member countries of the South Pacific Forum, the grouping of independent island States which includes Australia, New Zealand and Papua New Guinea (PNG), only Australia is bigger — though PNG's population is fast approaching that of New Zealand. The friendly neighbour role, providing money, technical help and a link with a wider world for the Pacific Islands, is useful to the islands and for New Zealand fulfils a need.

The "special relationship" with the Pacific also has a domestic function. It is part of New Zealand's often difficult search for roots. The White nation's cultural identity with Britain is still so marked as to amaze the outsider. But it is gradually beginning to wane at the same time as Maori Polynesian consciousness is reviving. Thus the relationship with Polynesia and Melanesia is an important part in the process by which the White majority of New Zealanders absorbs some Pacific culture into its bloodstream, and finds its identity as well as its geography in the Pacific.

For the foreseeable future cultural links will be closest with Australia, a tie which may be reinforced by closer economic co-operation. But Australia is a continent bordering two major oceans and it is in close proximity to populous, unstable but dynamic South-East Asia. New Zealand is a small place in a vast ocean, a long way from anywhere.

The consequences of this re-orientation are not so clear. In the early part of this century New Zealand had ambitions of having its own Pacific empire. Clearly, it could then lord it over the little Pacific islands. But it tended to forget—though not when the chips were down in the world wars—that its own existence depended on the strength of Britain *vis-a-vis* European rivals in the Pacific. London in turn would not allow any New Zealander expansionary visions to influence its relations with other European powers.

## Rivalries

In the post-colonial era it remains a big factor in Pacific affairs. But, as in colonial times, none of the countries of the region is in much position to influence or deter big powers. *At present, big power rivalries* have not seriously extended to the region. For the moment the South Pacific remains a ANZUS lake—but a very lightly defended one. The U.S. military presence in the region is slight, the Australian one small, and New Zealand's barely visible. With U.S. forces stretched around the world, New Zealand and its island friends may need to look to additional patrons such as Japan if the search for ocean resources or strategic footholds brings big power rivalry closer to the those distant shores.

NZ's trading patterns have not evolved away from Europe and towards Japan and the U.S. as quickly as those of Australia. The trend is going on and will continue unabated, though not probably fast enough to restore dynamism to New Zealand's exports. Trade links should also develop with ASEAN nations. But New Zealander consciousness of south-east Asia is still small despite the cultural ties which exist with Malaysia and Singapore.

ASEAN is friendly but a bit remote—a situation which allows New Zealand to pursue a rather idiosyncratic policy on Indochina, and also avert the criticism of protectionism levelled against Australia, which, by comparison, is positively liberal towards imported manufactures.

The Countries most concerned about NZ's trade barriers are the little South Pacific neighbours which see entry — preferably on a preferential basis—to Australia and New Zealand as the key to diversifying their narrow, weak and aid-dependent economies. Talks are now going on for a trade pact among Forum members which *would be aimed to give developing* members free access to the NZ and Australian markets.

## Exaggerated

New Zealand warns against the islands expecting too much from such an agreement. The islands main problem at present *is production not market access.* However, assured markets could encourage new investment. A trade agreement is likely before the end of this year but some islanders are disappointed by the foot-dragging by both the two developed countries which want extensive lists of exceptions and special rules to *limit free trade.* With labour costs in the islands quite high, and transport costs very high the concern of NZ manufacturers about a flood of imports from Forum nations in industries such as textiles seems quite exaggerated.

More trade less aid is certainly something all the islands would like, *in theory at least.* They face a dilemma. Several of them have very little land on which to accommodate rapidly growing populations. Traditionally they have exported labour. Their economies are often highly dependent on remittances. But like Ireland in another era, they are suffering from the drain of their best and brightest overseas.

Meanwhile the islanders' migration to New Zealand has complicated the latter's racial situation. In the long run, this may be a desirable trend, forcing white New Zealand to adjust faster to its Pacific position and throwing into relief the ambiguities of Maori-White relations.

Only people from the Cook Islands and Niue, countries which are in "free association" with NZ, have unrestricted entry. As a result there are as many people from the Cooks in New Zealand as at home—20,000. Niueans number 4,000 at home and 7,000 in New Zealand. The biggest impact, however, has been made by the Western Samoans, of whom there are nearly 30,000 in New Zealand compared with 160,000 at home.

Crackdowns on illegal Samoan and other "overstayers" has caused some resentments and accusations of racial discrimination. Entry of Samoans, Fijians, Tongans and Tuvaluans is now governed by short term (11-month) work permits. Few islanders qualify for permanent entry because of their lack of skills and the slackness of labour demand for other than lowly paid and menial work.

However, even if migration from the islands remains a trickle, the rapid natural growth of migrant island-derived residents will ensure they constitute a growing proportion of the population. This has consequences for New Zealand domestically. And willy nilly it increases the bonds between New Zealand and the islands.

The fairly liberal official attitude towards the islanders has not been matched by a welcome to migrants from Asia in general or ASEAN in particular. In the days when immigration was significant, overwhelming preference was given to those of British origin. Many outward-looking New Zealanders now see this as a mistake. It has increased the difficulty of making the break with the UK, and it has deprived the nation of new links elsewhere which would eventually help to develop trade, and give NZ a more cosmopolitan, less provincial air.

If energy stimulates economic recovery there may again be scope to increase and broaden immigration.

Links with Asia, especially Malaysia, have, however, been greatly enhanced by the large numbers of students taking advantage of NZ's higher education facilities. (This could increase following the sharp increase in student fees in the UK.) Other than the Pacific countries, most of New Zealand's official development assistance goes to ASEAN nations.

For the islands the aid is very important. But in the

CONTINUED ON NEXT PAGE

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# Conflicting attitudes on Australia

NEW ZEALAND'S relationship with its big, White and fellow English-speaking neighbour is *nothing like as close as the ties* of geography, history and culture *might suggest*. Foreigners tend to mention them in the same breath, eliding them into a kind of Benelux union of the South Seas. But in economic terms at least they are still only of relatively minor importance to each other.

Both, but particularly New Zealand, now face the question of whether both economics and world politics suggest they should move closer together. At least in the economic sphere, attitudes in New Zealand towards the relationship with Australia display views of the direction the New Zealand economy should be headed.

On the one hand are an influential group of liberal-orientated bureaucrafts and academics supported by some national politicians who see a move to free trade with Austalia as being an essential part of the open economy they want to see and which they regard as necessary if the nation is to climb out of the zero growth rut into which it has fallen. They want to see free trade *between* the two countries as soon as possible, leading to even *closer integration* in the future. It is perhaps a measure of the protection accorded to much of the New Zealand economy that Australia should be viewed as such a centre of liberal trade policies and market forces.

Opposed to this is a more traditional view, which is deeply embedded in Labour Party thinking — but with many sympathisers in the ruling party, including the Prime Minister—and which is against any sweeping changes towards the more open economy that would be implied by free trade with Australia. They are fearful of the impact on employment, sceptical of such apparently simple economists' cures for NZ's problems, and nervous that big business would benefit at the expense of the small man.

A third, but very much minority view, is that a close relationship with Australia would be a trap, luring New Zealand into a bigger version of the high-cost, protected system that it has now. According to this argument, New Zealand should adapt its economy and industry by reference to a wider world, particularly an Asian world, rather than get bogged down in a greater Australasia concept.

This view has intellectual merit, but politically looks a non-starter. Any kind of trade liberalisation moves will be difficult to achieve and will need political impetus. The idea of closer links with Australia may be able to generate political momentum that wider free trade ideas could not.

## Declaration

The issue is an important one for several reasons. Two years ago, in the so-called Nareen Declaration, Australian Prime Minister Malcolm Fraser and New Zealand Deputy Prime Minister Brian Talboys committed themselves to the need for closer co-operation. They set in motion a series of studies, thoughts and meetings which were due to lead to a Fraser/Muldoon summit in March or April this year. This meeting could decide whether the two countries *will* agree merely to tinker with their relationship, or whether they commit themselves in principle to some larger steps which might eventually entail some sacrifices for both.

The Nareen follow-up has coincided with a number of other developments.

- It has finally become clear to both sides that the existing New Zealand Australia Free Trade Agreement (NAFTA) is at a dead end. Valuable though it may have been, in its present form it is too restrictive *to* bring any significant additional benefits.
- *The growing international* tensions in the wake of the *Soviet invasion of Afghanistan* have reminded both countries *of how small they are and how* tenuous their communications lines and defence links with their friends and trading *partners*. This has strengthened their feelings of kinship and heightened a desire to huddle together.
- Mutual concern at the apparent lack of will of GATT *and other forums to show* the same concern to break down barriers to agricultural trade as they do about industrial trade.

*At the time of* Nareen, and for long after, both countries were *facing* worrying economic stagnation and thus saw benefit in mutual help. This particular impetus may have waned for the time being, however. Despite the problems afflicting much of the rest of the world Australia's new mineral boom has restored some of its self-confidence, and NZ thinks it may have found salvation in gas and hydro-electricity.

One problem in putting *momentum into NZ-Australia* relations is that the topic is of *so much less importance to* Australia, which has four times *as many people and an* economy six times the size of its *neighbour. Australians* tend to assume rather patronis*ingly that NZ would be better* off linked closer to Australia. But the topic *does not inspire* enthusiasm in Canberra which tends to be simply bored with the kind of arguing engendered by NAFTA.

In some ways there is more *interest at the level of* the New South Wales State Government *than* at the Federal level. NSW accounts for a large part of NZ's trade with Australia, particularly in the manufactures which would be most affected by a freeing of trade. Trans-Tasman Sea transport costs are high, but so too are internal costs in both Australia and NZ. So it can make as much sense to ship from Auckland to Sydney and Dunedin to Melbourne.

For Australia as a whole, trade with NZ is of relatively minor importance. None the less it is the largest single market for Australia's manufactured exports, taking 20 per cent of the total. Australia is in turn NZ's main outlet for manufactured exports taking 35 per cent.

However, the potential market growth for the two nations under free trade is different. For Australia, 20 per cent market growth is an opportunity. The five hundred per cent growth opportunity NZ could face is a revolution. Few people enjoy revolutions—no matter how much they stand to benefit.

Closer political integration between Australia and NZ is a non-starter. It will remain that way unless conditions for both countries deteriorate very badly. Defence and foreign policy co-operation may be strengthened by recent world developments but in practice both *nations are resigned to* reliance on an American umbrella. So *it is almost* exclusively in the economic field that opportunities for closer ties exist.

NAFTA is the natural starting point for discussion of future relations. But this may be a pity. Even among the more vigorous proponents of closer links, there is often as assumption that what is needed is a bigger and better NAFTA. But NAFTA's problems are *fundamental and conceptual*.

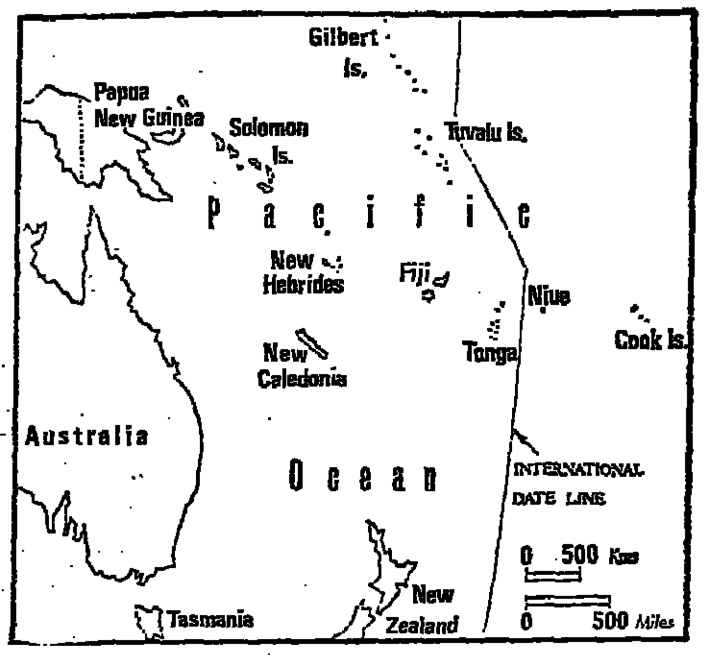
The name itself is a *misnomer. The pact is essen*tially a formula for encouraging *only free trade in goods that* the other either does not pro*duce at all or in insufficient* quantity for its own market. Its *philosophy is that of* the mercantilist not the liberal free *trader*. Together with a related mutual preference agreement, which *normally* provides a 15 per cent preference margin, NAFTA provides access to and preference in a wider market for both nations, but only in non-competitive products. The name of the game is complementarity, not competition.

NAFTA was initiated in 1966. Since then trade between the two countries has grown rapidly—two-way trade now amounts to NZ$ 1.6bn, a sevenfold growth in 12 years. But it is less clear how much of the growth is attributable to NAFTA—and of attributable portion how much has been created by a freer environment and how much diverted from other nations' trade with the two countries.

## Schedules

About 75 per cent of the bilateral trade is conducted under NAFTA schedules. But a substantial part consist of items such as softwood pulp, in which Australia is deficient, and alumina—shipped to New Zealand for smelting and then shipped back to Australia.

NAFTA has two main components. The central one is the so-called Schedule A, which provides for gradual but complete phasing out of tariffs on items on the schedule, of which there are now some 1,800 accounts for 65 per cent of bilateral trade. The second is Article 3:7, which provides for tariff-free exchange of products at industry or company level on the basis of complimentarity—a kind of barter system.




The main snags with Schedule A are that no significant products are getting on to it any longer, and that many items that are on are remain subject that are on remain subject to New Zealand's export licensing system. Australia also has quantitative controls on New Zealand textiles.

The trouble with 3:7 is that it is arranged on a case-by-case, year-by-year basis. There is no permanence in the concept and *items can only get to be* traded on this basis if indus*tries on both sides are agree*able. This need for mutual *agreement is typical of the* NAFTA concept and explains *why it is now at a standstill*.

The attitude of the New *Zealand Manufacturers Federa*tion has been especially *encouraging considering* the past opposition of this body *towards freer trade — including* NAFTA itself in earlier days. *The purely defensive import — substituting industries* still *dominate in New Zealand*. But there are a growing number which look eagerly at the prospects of the bigger Australian market, or which have ambitions to compete in a wider world but find themselves restrained by the high cost of locally-manufactured components.

Australian manufacturers have been pushing the idea of moving beyond the free trade concept to a customs union, under which there would be harmonising of external tariffs. A customs union would be unacceptable to NZ as it would essentially enlarge the size of the protected market for Australian producers of intermediate and capital goods which are not made in NZ. The result would be that NZ would have to pay higher prices than at present and trade would be diverted away from third countries.

Australia does, however, have a legitimate concern that a free trade agreement with NZ should not be used as a backdoor for goods from third countries entering NZ with little or no duty as producer goods, undergoing only limited processing and then being exported duty-free to Australia. Australia would like to see the *local content requirement* for free trade raised from its *current 50 per cent*.

## Harmonisation

Australia and NZ have very different tariff structures, reflecting very different economies. It may be that freer trade will only be possible if also accompanied by some degree of external tariff harmonisation. Students of free trade areas say that the European Free Trade Area was a success primarily because most members started out with similar external tariffs. If so, Australia and NZ have a hard time ahead.

But at least they are two countries sharing a common language and heritage. They already have completely free movement of people. (Not even passports are required.) That is a fairly remarkable achievement and contrasts vividly with the restraints on trade. The free movement of people is a result of kinship, not economics. The economic arguments for free movement of goods are powerful. But they have little emotive appeal.

**Philip Bowring**

# Pacific

CONTINUED FROM PREVIOUS PAGE

longer run they will be looking to New Zealand not just as an outlet for some of the new products they hope to make but also to help them protect and exploit their biggest resource—*the* 200-mile economic zone. Just how extensive these ocean resources are and how much money can be extracted from *them* remains to be seen.

So far none of the countries, New Zealand included, has achieved much more than some fairly token payments from Japanese, Korean and Russian ships for fishing in their waters. Controls on catch are also very difficult to enforce. The areas are so vast that formal patrolling is next to impossible.

In the long run the Pacific Forum countries' only way of getting the best out of their resource will be through the closest possible co-operation. They must ensure that the foreign fishermen do not play off one country against another—easy enough when many of the most valuable species are migratory—and monitor and control the catch on a regional basis. What other resources found in the ocean, on or under the seabed, remains to be seen.

## Relaxed

New Zealand, like its neighbours, will be hoping for substantial additions to their revenues. But they may need to beware of striking it too rich and attracting the large and the powerful into what is at present a very relaxed region.

For the moment there are only only two issues of substance in international relations. First is the attempt by the Soviet Union to find a foothold in the area. Its fishing fleets, cruise ships and "research" vessels make extensive use of South Pacific ports and it has fishing pacts and joint ventures with New Zealand. Soviet blandishments towards the islands have, however, been largely ignored. Fiji, for instance, has rebuffed Soviet desire to establish an embassy in Suva: Fiji prefers to be covered out of Canberra. But more Soviet initiatives are likely both because of the fish and of the heightening of international tensions elsewhere.

The other issue is the role of France. Criticism of French nuclear testing, at one time volubly led by New Zealand, has waned as the tests have gone underground. But it is still a simmering subject. Of more concern now for New Zealand may be events in New Caledonia. The nickel-rich French island has a potentially problematic racial mix: 35 per cent European, 40 per cent Melanesian and 25 per cent assorted origin. Confrontation could develop between Melanesian wanting independence and others wedded to the tie with Paris.

New Zealand believes that independence in some form is desirable and inevitable. Mr. Muldoon, no knee-jerk liberal, recently stated: "I have no doubt that France will have further difficulties in this area and that ultimately at least New Caledonia and French Polynesia will move to full independence." For now, New Zealand is concerned that French attitudes should not lead to a *deteriora*tion in white/non-white relations *in the South Pacific, or draw in* non-Pacific countries as the *Melanesians look for support for* their cause, whether against Paris or *local colons*.

**Philip Bowring**


# Can Britain afford to lose a business worth £360 million?

The question of restrictions on New Zealand Lamb imports has arisen again.

Not only would restrictions have severe repercussions on New Zealand, they'd also take their toll on Britain. So in the midst of the debate, we'd like to point out a few relevant facts.

WHAT THE BRITISH HOUSEWIFE COULD LOSE.

In recent years, some 50% of all lamb consumed in the UK has come from New Zealand.

Last year, sales of New Zealand Lamb made it one of Britain's biggest food brands, the British public spending a total of £360 million on it. (NZMPB estimate based on UK national expenditure figures.)

Our marketing ensures adequate supplies of New Zealand Lamb when supplies of the home product are reduced. In fact, the National Federation of Meat Traders has said that without New Zealand Lamb imports, lamb consumption would decline and possibly never recover.

WHAT THE BRITISH RETAILER COULD LOSE.

New Zealand Lamb accounts for about 10% (£150 million) of the British butcher's red meat turnover. (The man who supplies 2 out of every 3 families in the UK.)

Of the supermarket red meat trade, 12% (£110 million) is in New Zealand Lamb.

In both cases, New Zealand Lamb accounts for about half their lamb business.

WHAT BRITISH INDUSTRY COULD LOSE.

Out of the 22 companies who import New Zealand Lamb, 13 are British-owned. In fact, some of the largest British-owned importers have substantial investments in New Zealand meat processing plants.

British shipping lines have now completed a major 10-year containerisation programme, providing specialised facilities for shipment and handling of the trade.

The total investment so far: £374 million.

The total revenue to British shipowners last year: £51 million.

THE FINAL LOSS.

The "invisible" revenue associated with New Zealand trade has brought an annual £500 million turnover to the EEC. And, as a direct result of the lamb trade, a turnover of £360 million in Britain.

NEW ZEALAND LAMB

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# Resolute approach to energy problems

NEW ZEALAND has an abundance of energy sources, such as hydro-electric and geothermal power, coal and natural gas, as well as solar wind and biomass potential. At the same time the country is less than 20 per cent self-sufficient in liquid fuels. Oil imports make up some 57 per cent of New Zealand's energy needs and since 1973 successive OPEC price increases have had a devastating effect on the country's terms of trade, sharply reducing its buying power abroad.

In 1973 two out of ever 15 lamb, beef and sheep carcasses went to pay for New Zealand's imports of liquid fuel. By the end of 1979 this had risen to four out of every five carcases, or alternatively accounted for the entire annual earnings of the country's dairy sector.

Until 1973 there had been a rapid growth in the use of oil, particularly in the transport sector which currently accounts for almost three quarters of New Zealnad's oil requirements and is virtually dependent on liquid fuels. Since 1974 the quantity of petroleum and petroleum products imported has declined but the cost has risen steeply—from NZ$94m in 1973 to around NZ$800m for 1979.

In addition, the unpredictability of supplies has demonstrated New Zealand's vulnerability to developments beyond its control and the need to reduce substantially its dependence on imported oil.

Critics of the Government allege that it has been slow to rise to the challenge. Until comparatively recently there has been a lack of co-ordination among Government departments in energy policy-making. Decisions tended to be made on an ad hoc basis rather than by long-term planning and some costly mistakes were made — most notably in respect of the over-estimate in the demand for electricity. As a result New Zealand has a large surplus of hydro power and is presently seeking power-intensive industries to mop up the surplus.

There has also been confusion over the Government's pricing policy for energy and some active consumer resistance to the latest round of electricity price rises. However, the Government argues that some surpluses in hydro power were inevitable and that decisions taken recently and those which are imminent will provide most of the answers to New Zealand's energy problems.

At the heart of New Zealand's new energy strategy is the development of Maui, its largest known gas/condensate field off the Taranaki coast of North Island. On April 3, 1973 agreement was reached between the Government and the consortium which had been prospecting for gas in the field since 1969—Shell BP Todd Oil Services—to develop Maui on a joint venture basis.

The Government acquired a 50 per cent interest in the new venture for NZ$30m by purchasing the entire share capital of the Offshore Mining Company, in which the three consortium companies had shares and which later became a subsidiary of Petrocorp (Petroleum Corporation of New Zealand). It was agreed that the primary purposes of the venture would be the sale of Maui gas to the Government over a 30-year period (under the terms of the contract, the buyer is the Queen acting on behalf of the Government of New Zealand) and the recovery and sale of condensate, of value as a refinery feedstock for motor spirits, associated with gas production.

## Envisaged

A White Paper on the uses of Maui gas concluded in October, 1973, that "while electricity generation may not be the most efficient use of Maui gas, it represents the most economic use in New Zealand in the forseeable future." In conjunction with the Maui development four new power stations were envisaged, generating 4,050 MW of electricity at a capital cost of NZ$797m (1972-73 values), all of which would be gas-fired.

But the estimate of domestic demand for electricity proved wildly over-optimistic. Plans for two of the power stations—Auckland Thermal No. 1 and Auckland Thermal No. 2—were abandoned altogether, after having been the subject of a lengthy legal battle by environmental groups. Of the two others the new Plymouth thermal power station is operating below capacity and the Huntly station, scheduled to open in January, 1981, is also unlikely to prove economic. At the same time the full impact of the OPEC price and supply decisions had not been fully understood.

Other planning miscalculations, including a delay in constructuring a second liquefied petroleum gas (LPG) plant, have meant that up to now Maui gas production facilities have not been fully utilised.

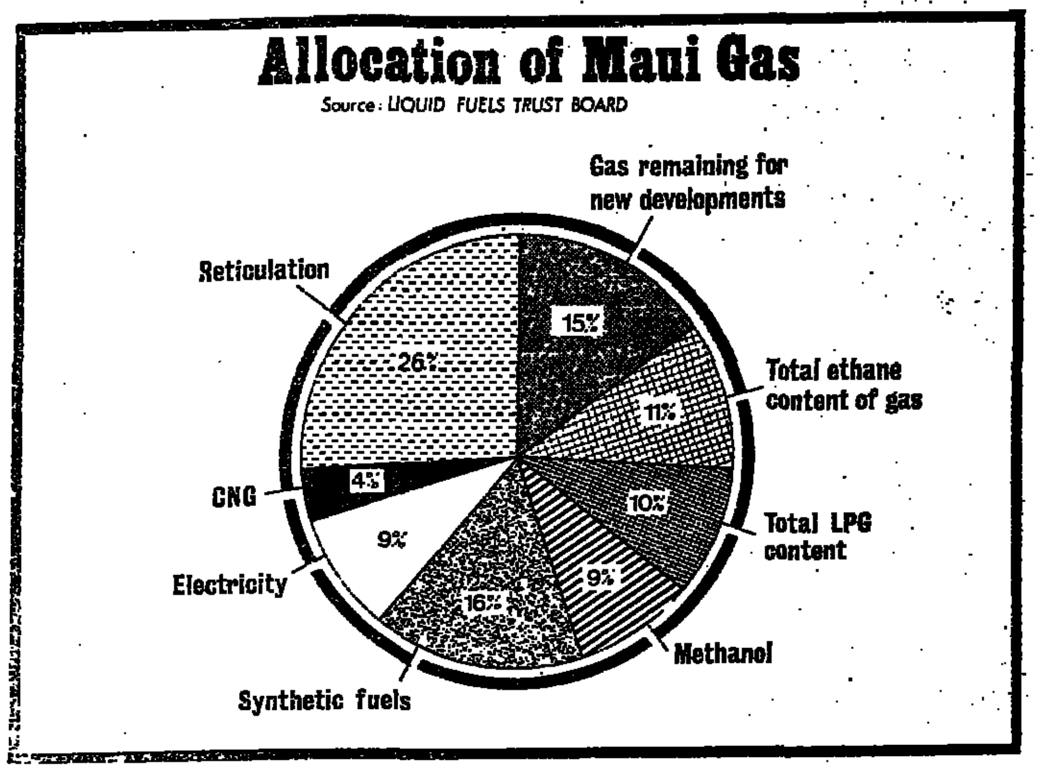
The Government's energy programme for the 1980s is therefore designed to realise the full potential of the Maui field, as well as to reduce New Zealand's heavy dependence on imported oil. Current reserves of natural gas in the Maui field are estimated at 5,440 petajoules (pj) with estimates of condensate at 1,195 pj. (The only significant onshore gas/condensate accumulation at Kapuni contains a reserve of 500 pj of gas and 150 pj of condensate.)

In the short term the Government hopes to find a use for the Maui field by taking over part of the daily gas-based market in industry and commerce currently supplied by Kapuni. But in the medium-term—over the next five to seven years—a much more significant change will occur. Maui gas is to be allocated in such a way as to meet New Zealand's pressing needs for indigenous forms of liquid fuel. Capital investment will be based on an assumption that Maui will provide more than 60 per cent of substitutes for imported oil.

A chemical methanol plant using 9 per cent of Maui gas or up to 30 pjs per annum of gas reserves is expected to come on stream by 1984 at an estimated cost of NZ$ 150m to NZ$250m (at 1979 values). The Government has also accepted a recommendation by the Liquid Fuels Trust Board that a synthetic fuels plant should be set up using 16 per cent of Maui gas or between 50 and 60 pj/y which would convert methanol directly to high quality motor spirit by means of the Mobil process.

Half of the output of the chemical methanol plant will be earmarked for export. The balance, reserved for domestic use in the medium to long term, is expected to be used for the manufacture of petrochemical derivatives, as well as the use of pure methanol in gasolines (the M15 process) which, it is claimed, could cut the country's oil import bill by NZ$ 60m per annum.

It could also be used as an additional feed for the Mobil plant as well as an alternative industrial fuel. The Liquid Fuels Trust Board is currently conducting inquiries into a proposal that all future additions to the New Zealand car fleet should be able to use M15 by the time the methanol plant comes on stream in four years' time.




The Mobil process for converting natural gas into synthetic liquid fuels is as yet commercially untried. The Government has chosen it in preference to the Fischer-Tropsch technology developed by the South African Sasol Company, after a number of studies by American and West German companies.

## Significantly

The decision in favour of Mobil was on the grounds that for a given feed rate of natural gas the process has a significantly higher yield of liquid products than the Fischer-Tropsch option and has better overall thermal efficiency. It also has a significantly lower investment cost. However, the Mobil process is more limited in its application than Fischer-Tropsch and does not provide valuable by-products such as industrial chemicals.

Negotiations between the Government and Mobil are currently under way, although no firm decision is expected until 1981. According to the Ministry of Energy there is the possibility that the agreement would provide for the participation of other oil companies.

These developments involve substantial capital investment, most of which will have to be raised abroad. The Government is confident, however, that there will be a good return. Prime Minister Robert Muldoon told New Zealanders in November: "To exploit (these) energy resources will need vast sums of capital, probably NZ$ 4bn to NZ$ 5bn, and most of it will be borrowed abroad. The industries that we will be building are essentially export industries, which will more than suffice to service borrowings with a large additional income to New Zealand on top of that. On liquid fuels, for example, by 1987 we will be more than half self-sufficient from Maui gas in terms of synthetic motor spirit."

Total investment in the synthetic fuels project is independently estimated as NZ$ 2.5bn but by 1987 potential savings in imported petroleum could exceed NZ$ 500m.

Another important use for Maui gas is in the production of liquid petroleum gas (LPG), which is extracted from the condensate. Maui Development, which acts as agents for the joint ventures in Maui, is constructing a plant to extract LPG from condensate to come on stream by 1981. A consortium of six organisations, including Petrocorp, have formed a distribution company, Liquigas, to distribute LPG to bulk depots throughout the country. In the short term, however, late planning decisions mean that at least some LPG demands will have to be met by imports from *Australia*.

At the same time New Zealand is having to accommodate the realisation that its requirements for electricity have fallen off—partly because demand was overestimated, partly because the recession in the wake of the oil crisis cut down consumption and partly because a falling population means that domestic use of electricity has reached a plateau and is unlikely to rise further.

In practical terms this means that plans for additional hydro power stations are being drastically slowed down. The Government is committed to the Clyde scheme in South Island but although the current stage has been completed, progress is deliberately being retarded and the project is not expected to come on stream until the early 1990s. The Ministry of Energy believes that until the overall energy picture is clearer, the skilled engineering team which has gained experience in the 1970s should not be disbanded.

In the case of geothermal power, however, there is limited engineering expertise available. It is comparatively expensive and could, the Ministry believes be put to better use elsewhere. As to the accusation that the dams which provide electricity are spilling over while domestic consumers are suffering from price rises, Energy Minister Bill Birch says that "this is a hiccough in the system. . . Unless you've got the complete co-operation of God you can't control it." The Government is looking for companies to absorb the spare capacity electricity and is offering certain industrial developments a concessional price.

These benefits will be available to companies which locate in the South Island and instal new plant which uses more than 25 GWH of electricity per annum. Uses could include aluminium and iron smelting or the production of silicone carbide or ultrafine metal powders. Another large aluminium smelter is expected to get Government approval shortly, as will a third potline to the existing Comalco smelter. Meantime the Maui gas field will continue to provide 9 per cent of its capacity as electricity for on-going commitments.

New Zealand also has substantial reserves of coal, including vast reserves of lignite—some 3bn tonnes, equal to five Maui gas fields (57,000 PJ). However, research has shown that mining it could cause problems as lignite reserves in South Island are in multiple seams. The lignite also lies under some of New Zealand's richest farmland, which poses obvious problmes. Feasibility studies are continuing, with a view to converting some of the lignite reserves into liquid fuel.

Research is also being carried out into the future use of renewable energy forms — biomass, sun and wind — and a small amount of biomas is being produced commercially. The search for an economic method of exploiting New Zealand's renewable energy resources is likely to be stepped up as the life of the Maui field shortens.

In its three most recent budgets the Muldoon Government has taken steps to encourage the use of indigenous fuels, although the price of electricity has been raised to pay for the capital cost of power station construction. In his most recent budget (1979) Mr. Muldoon told Parliament he intended to establish price relatives among imported fuels and between imported and domestically produced energy sources, as well as to encourage conservation. Incentives have been given for vehicle conversion to LPG and compressed natural gas (CNG).

## Conservation

Other measures have included loans for gas connections and appliances, interest-free loans for home insulation and solar water heating and a conservation grant for small businesses. In addition, New Zealanders have been "encouraged" to save on petrol by the introduction of "car-less" days and "petrol-less weekends" with the aim of saving ten per cent of transport fuel.

The effectiveness of the scheme which requires every non-essential car user to use alternative means of transport on one day a week is open to dispute, but there is no sign that the Government intends to end the experiment.

A controversial measure introduced in Parliament last October was the National Development Bill, which became law in December after vehement protests by environmentalist groups which alleged that it would permit the Government to sanction major developments without adequate debate. The Act gives the Minister of National Development (who is also the Minister of Energy) the power to declare a project to be of "national importance" thus not subject to the usual planning procedures. In effect this opens the way for overseas participation in New Zealand's energy projects, for example in South Island where the Government wishes to encourage aluminium and ferro-silicon smelters involving a large amount of capital investment.

**Kathryn Davies**

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# Banking system must quit its protective cocoon

NEW ZEALAND is one of the few countries—if not the only—where interest rates are below the current inflation rate. This phenomenon, and the increasing need for New Zealand banks to co-ordinate their borrowing and lending activities to bring them more into line with international operations, will force what some bankers describe as "the most dramatic changes to the New Zealand banking and financial sectors over the past five years."

Until a few years ago the New Zealand banking system was totally insulated from banking developments in the rest of the world. Today, especially with the flow of foreign lending investment and finance into the country, it is no longer possible for the banks to maintain this isolation—even if they wanted to.

Discussing the move towards greater internationalisation, one leading banker noted that 10 years ago it was unlikely that anyone in New Zealand banking would have known the U.S. Prime Rate. Today that rate is reported daily and every trading bank watches it carefully from hour to hour.

Even so, interest rates have not yet fully responded to the local high inflation rate. For a time the margin was not unduly great but in the last six months, with the inflation rate rising steadily to 16½ per cent and a possible 20 per cent forecast, interest rates are now extremely low in relation to inflation.

The last year in which funds deposited with a trading bank earned an interest rate which provided a profitable margin over the inflation rate was 1968. Inflation was then running at 4.3 per cent while interest rates were 4.5 per cent.

For the four years 1970/73 interest rates were controlled at 5 per cent while inflation fluctuated between 6.5 and 10.5 per cent—dropping back to 8.1 per cent in 1973. In the next two years interest rates were controlled but were allowed to move up to 6.5 per cent, but by that time inflation was more than double that figure at 14.7 per cent. Since then trading bank interest rates have moved up to round 11.5 or 12 per cent (for large depositors).

One result of this lopsided situation has been a big demand for loans. It paid companies or speculators to borrow as much as possible because sheer inflation rates gave them a profit on their borrowings.

Profits were accentuated because overdraft interest charges are tax-deductible. The situation has become more realistic over the past two or three years but inflation has still outstripped interest rates.

New Zealand does not have a banking base rate; only one trading bank operates anything similar. This restricts the ability of the banks to adjust lending rates quickly in line with deposits and with overseas levels and requirements. Some banking experts believe that the system will be forced to adopt a base rate this year.

This will be part of a trend which is forcing the banks to evolve along the lines and methods already adopted by overseas banks.

## Borrowing

New Zealand is seeking to attract very considerable foreign investment, particularly to develop energy projects. One estimate is that $NZ3.5bn will be needed within the next four or five years. Before the end of this decade another $NZ3bn will be needed to process increased timber and forestry production. Outside the energy development programme New Zealand is already borrowing *hundreds of millions of dollars* to cover the gap.

Many, including the conservation lobby, argue that New Zealand itself should provide the major amount of the investment in energy and thus reap the long-term rewards. Laudable as this view may be, it is unrealistic. For example, 70 per cent of trading bank deposits are now lodged on short-term loans of less than one year. Unless there is a major reform of the tax structure—something which many economists and businessmen are advocating—and a reduction in the rate of inflation it is extremely unlikely that the public or business sector will be able to provide more than a token amount of the funds needed for the energy programme.

The large proportion of short-term bank deposits also inhibits the trading banks from advancing the long-term loans required in the setting up of the multi-million dollar energy development projects. They are unhappy at being by-passed by consortiums endeavouring to *develop major energy projects*. Several prominent bankers have recently declared their keenness to be involved in raising loans or organising consortiums of overseas banks prepared to put up the finance.

They stress the expertise and experience of New Zealand banks in raising funds abroad, and point to the high reputation of NZ banks in the international banking community. Some leading bankers have publicly accused project developers who have gone directly to overseas financiers of having an inferiority complex regarding their own banking system. Bankers say domestic banks could raise the necessary finance just as easily and in some cases much more cheaply.

In February 1979, changes in fiscal policy allowed the trading banks freedom to set their own foreign exchange rates—apart from the New Zealand rate to the U.S. dollar—within limits fixed by the Reserve Bank.

This allowed individual banks to compete in foreign exchange dealings in a way previously denied to them. The 1979 budget continued this relaxation by introducing a flexible exchange rate policy which the Government said was to pretect the profitability of exporters. It also allowed foreign currency to be traded in exchange for NZ dollars irrespective of the ultimate purpose or source of the funds.

Until the budget forward exchange facilities were restricted to trade transactions — they were not available for capital development. Nor did the forward exchange facilities reflect differences in interest levels.

Now NZ companies can take out cover for capital items and protect themselves against potential loss from a declining currency when borrowing in foreign currency. Over the past five years the NZ dollar has declined substantially against leading world currencies. It has fallen 45 per cent against the German Mark, 41 per cent against the Japanese yen and 26 per cent against the U.S. dollar.

A new method of fixing the NZ exchange rate by way of a sliding monthly exchange rate, introduced in the 1979 budget, has also protected finance and business sectors from the possible repercussions of sudden devaluation.

Each month the value of the NZ dollar is adjusted to take into account the comparative rate of inflation between NZ and its main trading partners.

Last June NZ devalued by 5 per cent. Since then there has been a steady devaluation in the value of the NZ dollar by just under half of 1 per cent each month. Including the June devaluation, total devaluation over the past eight months has been 8.3 per cent. This system has taken the uncertainty out of international trading.

NZ bankers are still revelling in the freedom introduced to the system in 1976, when many of the controls and regulations which had governed banking practice for almost 40 years were eased and lifted.

Indeed the NZ Bankers Association said in mid-March that the greatest development over the past 12 months was still the developing confidence and experience coming from the banks' application of the freedoms introduced in 1976.

Apart from this continued expansion of banking practice—which had been taken for granted in overseas banks for many years—the biggest development on the banking scene in 1979 was the introduction of credit cards. Intense competition and rivalry has developed to promote the use of each bank's credit card. Huge promotional and advertising campaigns have been *launched in the struggle for* supremacy.

**Dai Hayward**

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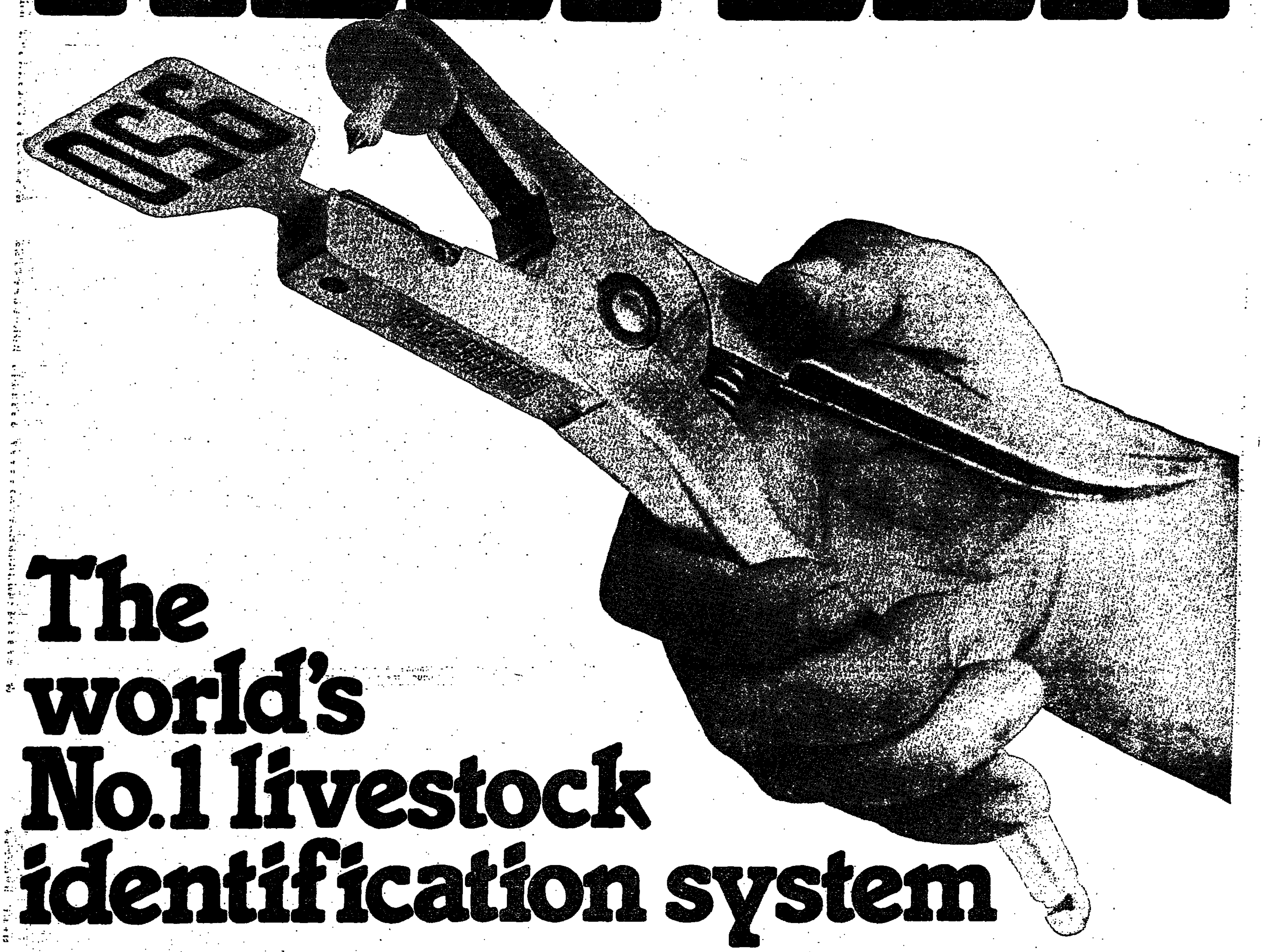

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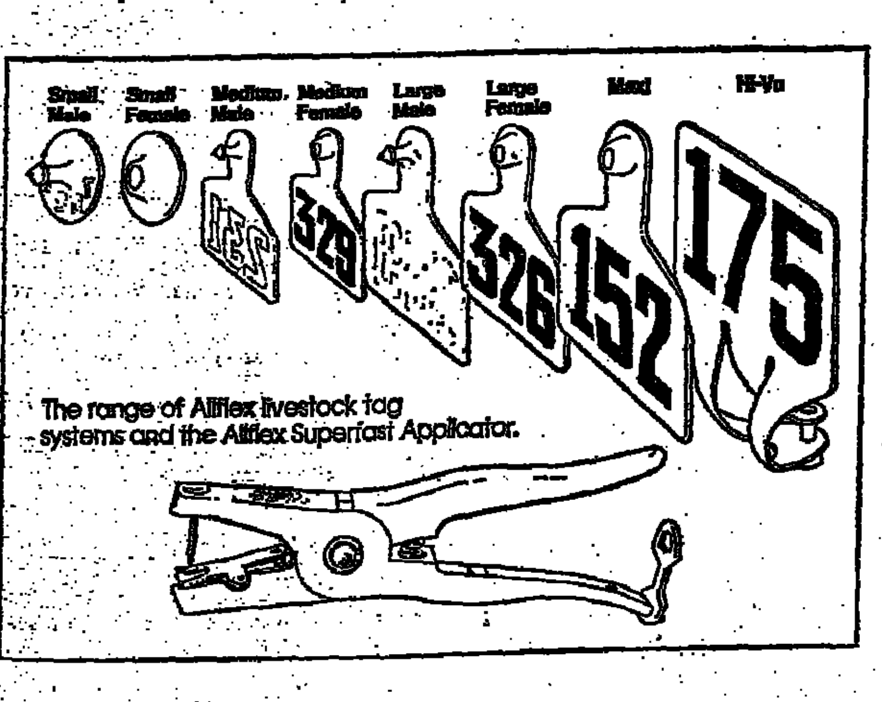


The range of Allflex livestock tag systems and the Allflex Superfast Applicator.

Besides the normal farming applications of sheep, cattle, pigs, goats and deer identification, research workers in many parts of the world have adopted Allflex tags so they can trace the movements of seals, sharks, alligators, reindeer, grizzly bears and even pelicans.

This unique product with seemingly inexhaustible demand and aggressive marketing has resulted in almost 90% of sales being exported. Present factory capacity is in excess of 100 million tags a year. In recognition of its achievement, the Company was awarded the 1979 Governor General's Award for Exporting, the highest honour a New Zealand exporting company can receive.


The concentrated export drive has involved the establishment of subsidiary companies in Australia, the United States and a shareholding in a French company, SN Rockall France SA, which manufactures a special Government eartag under licence. Also an extremely profitable association with the Diamond Shamrock Company of Cleveland, Ohio, which uses the Allflex system to apply insecticide-impregnated tags to cattle.

With patents registered in 15 countries and 20 world-wide Agents, the Company now sees its expansion into Eastern Europe and South American markets as imminent.

The growth of Delta Plastics and the need to continue aggressive marketing policies has prompted the formation of New Zealand's newest public company – Allflex Holdings Limited. Allflex Holdings Limited has acquired all the shares in Delta Plastics and becomes the parent company of Delta and its subsidiaries.


## Agents

Allflex Autocratales, Santiago, Chile.
Allflex Tag Co, Culver City, California, U.S.A.
Allflex Tag Co Pty Ltd, Collingwood, Victoria, Australia.
Agro-Pro AB, Stockholm, Sweden.
L. S. Brouwers B.V., Leeuwarden, Holland.
Alfred Cox (Surg) Ltd, Coulsdon, Surrey, England.
Foschi Srl, Bologna, Italy.
Fujita Pharmaceutical Co, Hachioji City, Japan.
Hauptner-Instruments GMBH, Zurich, Switzerland.
G. C. Hanford Mfg Co, Brockville, Ontario, Canada.
G. C. Hanford Mfg Co, Syracuse, New York, U.S.A.
Kane Veterinary Supplies, Edmonton, Canada.
Lister GMBH, Ludenschied, West Germany.
Milchin Bros Ltd, Tel Aviv, Israel.
Mullinahone Co-Operative Ltd, Co. Tipperary, Ireland.
Rockall France S.A., Vitre, France.
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DA128

# Industry both a burden and hope

TAKE AWAY the manufacturing sector of the economy and New Zealand's population would be very much smaller. But *income per head would* perhaps be very substantially higher than at present.

For more than three decades the nation deliberately fostered the development of its manufacturing sector at the expense of others. This forced feeding produced a succession of accomplishments: the reduction of pre-war unemployment, assistance to the war effort, and the basis for two post-war decades of rapid immigration.

The expansion of manufacturing *thus met various political* and social goals—the apparent reduction in external dependence, the broadening of the economic base to *make it less* vulnerable to farm export price changes, the strengthening of the position of the towns vis-a-vis the farming communities, and the broadening and deepening of national life by directly and indirectly increasing the diversity as well as the number of employment opportunities.

The policy was a huge success in its own terms. Manufacturing now accounts for *about* 25 per cent of Gross Domestic Product (GDP) and a roughly equivalent proportion of employment. NZ makes, assembles or packages a quite *surprisingly large range of products*, sometimes with a multiplicity of brands within one product group.

However, the policy also proved a very costly one and currently being paid for partly *by the NZ consumer and* partly by the international lenders who are currently footing the bill to sustain imports, manufacturing activity and employment at existing levels.

Manufacturing industry in general is now a heavy burden on the economy. But is also an area of great hope for the future. In the pipeline or in *prospect are a series of capital*-intensive, export-orientated, resource-based industries which should give a badly needed *fillip both to the trade figures* and manufacturing output.

But at the same there is an ever more desperate need to restructure—and in many instances eliminate—some of the older industries which grew up under the forced feeding programme of the 1950s and 1960s. These were generally fairly labour-intensive, import-substituting in intention but often totally dependent on availability of imported components. *They were high-cost* for a variety of reasons, the most obvious being the tiny market and the proliferation of brands.

## Realities

The old policy towards industry worked so long as the agricultural sector was growing and the terms of trade sufficiently *buoyant to support it.* But that comfortable era came to an abrupt end in 1974, exposing the weakness of NZ's system in general and of the manufacturing sector in particular. Since then manufacturing output has been virtually static, demonstrating for all to see that it had no momentum of its own and had simply been *dragged along by the other* sectors.

Adjustment of industry to economic realities, however, *will not be easy. The weakest* Industries tend to be the more labour-intensive ones and often centred in metropolitan areas possessing political clout. But the state of the manufacturing sector is not quite as depressing as might be suggested by the remarkable double layer of protection accorded to most local manufacturers-high tariffs, and most effective all, import quotas and licensing.

First, a significant proportion — *about 20 per cent — of value* added in manufacturing is accounted for by products which are recorded as agricultural exports. The processing and packaging of meat, the making of butter and cheese are *generally regarded as* quite efficient. They are not significantly subsidised. They enable NZ products to be internationally competitive but without a drain on the income of the farmer producing the sheep, milk or beef cattle.

Secondly, there is a group of raw material processing industries, notably pulp and paper, *and aluminium smelting* which are necessarily export-orientated. If pulp and paper producers such as Tasman and NZ *Forest Products did not* run reasonably efficient operations, the softwood logs which are their raw material would simply *be shipped out unprocessed or* perhaps as sawn timber or wood chips to Japan, South Korea and Australia.

There is also a small but growing group of miscellaneous *industries which one way or* another have found that exporting is possible and profitable. Some small companies have developed unique products and processes and found little niches in specialised markets.

Individually *they may not be* very significant, but if New Zealand can develop more of them, making use of entrepreneurial skills and relying on technical innovation rather than volume production and heavyweight financing, the sum of such industries could become a significant factor in such a small economy, along the lines of the *Israeli and Danish economies.*

A few manufacturers have even found that they can be competitive overseas, at least in *Australia, in high-volume manu*facture.

Conspicuous has been household appliance manufacturer *Fisher and Paykel*, whose small inexpensive models found a big market in Australia, taking advantage of the Article 3:7 *swap arrangements* under NAFTA, until Australian manufacturers prevailed on Canberra to put a lid on the imports. The company had combined a good standard of technology with New Zealand's relatively cheap (by Australian standards) labour and access to cheaper components from Japan and Korea than available to Australian manufacturers, who had to *buy more expensive locally-made* components.

Manufactures now account for 25 per cent of total exports and last year passed the NZ\$1bn a year mark. But they still only represent 10 per cent of gross manufacturing output and are dominated by those raw material based industries which were export-orientated from the beginning—pulp and paper and aluminium smelting.

The most problematic industry is textiles and garments. It has a turnover of NZ\$800m annually and employs some 36,000 people, or 12 per cent of total manufacturing employment. But it provides the population with a rather narrow range of every expensive and often out-of-fashion clothes.

## Survive

A Government advisory body, the Industries Development Commission (IDC) recently undertook a thorough review of the whole industry and made some proposals for gradual rationalisation. These *involve elimination* of a few activities altogether—it was found that because of small volume NZ was sometimes paying more for inputs than it would have to pay for the finished article from sources such as Hong Kong. Other sectors would be helped to modernise and restructure. The eventual aim would be *gradually to eliminate licens*ing and eventually rely on a protective tariff ranging from 15 per cent on yarn to 30 per cent on fabrics and 40 per cent on garments.

It will be a test whether the Government will push on with IDC's fairly mild recommendations and whether it is prepared to use the IDC on a continuing basis to achieve the gradual restructuring of many other ultra-high cost industries so that they could eventually survive with*out import licensing and tariffs* of less than 100 per cent. So far, three other industries have ben referred to it—wine, plas*tics and packaging*.

The Government does not equate rationalisation with liberalisation. But rational use *of national resources demands* major changes in industry.

In industries such as motors, it may only be possible to bring *this about in the context of* liberalisation, at least of trade with Australia. NZ assembles a vast number of car models and *makes some of the components.* Though a decree of NAFTA allows some complementary arrangements with Australia, *they are too restrictive to have* had much impact. Self-sufficiency is all very well, but there must be doubts that it is all *worthwhile when manufacturers* find themselves making products almost against their own will, because of import bans, know*ing that their products are high*-cost and possibly of mediocre quality.

Quite apart from small production runs, NZ manufacturers have suffered from the worker's antipathy to shift work, which has increased the cost of capital-intensive processes. Sometimes the impression is given that NZ could compete, at least with Australia, if it wanted but prefers to muddle along in genteel poverty rather than accept bigger factories and less congenial work patterns.

None the less, the NZ Manufacturers Federation is confident that its members can by 1984 raise exports to 16 per cent of total manufactured output from a current 10 per cent. That would be quite an achievement because only slow growth is expected during that period in the key pulp and paper industry which accounts for about 20 per cent of manufactured output. It implies an annual growth of 13.5 per cent, higher than achieved in recent years.

The Federation forecast was made before there was full awareness of the opportunities in energy-based and processing industries. Beginning from around 1984, output and export of manufactures should enter a boom phase as several major capital-intensive projects now on the drawing board become operational.

In the first place are the natural gas-based hydrocarbon liquefaction and conversion projects aimed at giving New Zealand 50 per cent self-sufficiency in liquid fuels. There is also expansion planned in refining. The precise mix of gas *utilisation and import replace*ment has yet to be determined but in any event will entail massive investment.

Next are the energy-intensive industries which will be built to use the excess hydro-electric power coming on stream, mostly in South Island. This could amount to 5,000 GWH, compared with New Zealand's current total electricity demand of 22,000 GWH and should allow at a minimum a 3-pot aluminium smelter, either as *an addition to the present* Comalco plant or for another company, or possibly both.

Depending on how much of the energy is used for aluminium, there is the possibility too of ferro-silicon production, and, more remotely, nickel smelting using ore from New Caledonia. Some of the energy may be retained for use by relatively small but energy-intensive industries that New Zealand would like to encourage.

None of the processing industries has local sources of raw material. But the ready availability of the power has been an attraction particularly at a time when Australia is almost overloaded with smelting pro*jects* based on coal-fired electricity.

The latter part of this decade should also see a surge in pulp and paper production. Who will produce it, where and for what markets is not yet detemined. What is known for sure is that from that date vast new softwood forests will begin to reach maturity and there is every reason to suppose that they will be exported primarily in processed form, ensuring a new surge for this most successful of New Zealand's resource-based industries. Though output will be almost static up to 1990, it will double to 17.5m cubic metres by the year 2000 and double again by 2015.

The fourth big capital-intensive project is steel. New Zealand Steel, which combines private and Government capital, is likely to be given the go-ahead for a NZ \$ 500m project for a fourfold increase in capacity from its present 125,000 tonnes. Normally, ambitious steelmaking plans by very small countries need to be treated with scepticism. But New Zealand has perfected a process for the direct reduction of local iron sands which are currently being exported mostly untreated to Japan. It is envisaged that the new plant would export up to 40 per cent of its production.

**Philip Bowring**


# Wooing foreign investors

IN THE past New Zealand has taken a cautious attitude towards foreign investment, tending to regard it as something necessary but not very desirable. But faced both with several successive years of static or declining investment and recognising the potential for various energy and resource-related investments the Government is now taking a much more forceful role towards promotion of investment in general and foreign investment in particular.

In his Budget last June the Prime Minister announced the setting up of a special Investment Unit within the Department of Trade and Industry to help investors find their way through the numerous permit and licensing procedures. Critics say it would have been better to have attacked the problem at *root and dig out some of the* bureaucratic obstacles. But a combination of the investment promotion carried out by the *Overseas Investment Commis*sion and the work of the new unit now give potential investors a genuine feeling of being welcome.

It is probably to some extent true that in the past the rather paternalistic approach of the Wellington bureaucracy in determining what are desirable investments has been misinterpreted by potential foreign investors as a coolness to foreigners, rather than being the prevailing local attitude.

Any investment in which foreign equity ownership is 25 per cent or more requires official approval from the Overseas Investment Commission, but this is normally a formality, at least with new projects.

Considerations applying to companies with foreign equity include:

- *Withholding tax of 15 per* cent on remitted interest, dividends and royalties.
- No limit on local borrowing where NZ ownership is over 50 per cent.
- For foreign-controlled companies, permission to borrow \$300,000. Thereafter up to 15 per cent of previous year's total turnover with an additional allowance for export sales. Companies with between 50 per cent and 75 per cent foreign ownership can also borrow a further NZ\$4 for every NZ\$6 raised abroad.
- *Initial two-year renewable* work permits or foreign managerial and skilled staff. Possibility of permanent entry.
- Effective free remittance of earnings and repatriation of approved capital.

Criteria for approving foreign investment are very flexible. Consideration is given to the extent of local ownership in natural resource ventures and in a few specific industries including individual newspapers, brewing and road transport. But otherwise non-discriminatory and basically economic criteria are generally followed in considering the merit of investment proposals.

Incentives applying to production, export and investment generally include the following:

- Export incentives amounting to 14 per cent of value added. They are assessed according to category of product on the basis of a scale ranging from 1.4 per cent to 11.9 per cent of fob value.
- First-year depreciation of 25 per cent on plant and machinery. In addition, deduction *of up to 20 per cent of assessable* income in spending on plant and machinery used for export production.
- Special regional allowances ranging from 5 per cent to 20 per cent of assessable income for investments in priority regions — meaning anywhere other than Auckland and Wellington.
- Import of otherwise licensed raw materials and components when used is manufacture of goods for export and where it can be shown that higher price or lower quality of locally made equivalent would make export impossible.
- *Exemption from sales tax of* machinery used in export production. (It should be noted, however, that many items of *machinery remain subject to* import licensing, whether or not the product is for export.)

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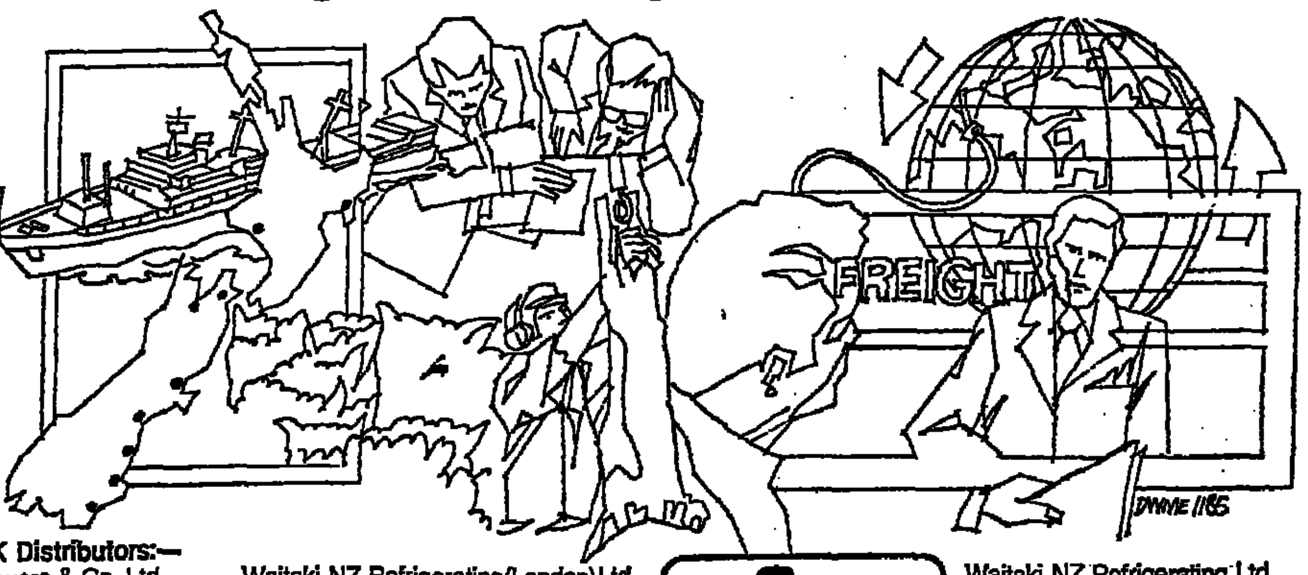


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# Cautious moves on the way to court the tourist

ACCORDING TO Tourism *Minister Warren Cooper*, New Zealand "can't afford to be pessimistic" about the industry's prospects for growth in the *1980s, despite some ominous* clouds on the horizon. Growth targets are therefore ambitious: a doubling of the number of *overseas arrivals from* the present 400,000 to aound 850,000 by 1988, boosting Reserve Bank travel receipts from the 1979 *figure of* NZ\$166m to an estimated NZ\$340m over the same period.

A more flexible response to projected *foreign investment* in hotels and transport for tourism is said to be generating "reasonable interest," particularly on the part of Japanese and Middle East interests. Export incentives extended to inward-bound tourist operators for the first time in the 1979 budget "reflects the Government's recognition of tourism as a major earner of overseas exchange."

These optimistic indicators assume, however, that depressed economic conditions in tourists' countries of origin, combined with ever-increasing air fares, do not have an effect similar to the recession in the industry in 1978 when the numbers of tourist arrivals grew only marginally and foreign receipts actually fell. There is little the Government can do to avert the consequences of Air New Zealand's escalating fuel costs.

The national *airline's fuel* bill rose from \$NZ 53m in 1978 to around \$NZ 115m last year. The airline is expected to lose more *than NZ\$ 10m this* year, although much of this is as a result of the grounding of the DC-10s in June. A 16 per cent increase in Air New Zealand's domestic fares granted in February is said to make them on a cost-per-kilometre basis some of the most expensive in the world —though this conclusion is disputed by the airline's management.

In addition, Air New Zealand is still suffering from the effects of Australia's ICAP policy *which has excluded it from* lucrative low-fare traffic between Australia and the west coast of the U.S. At its peak this U.S. holiday package traffic had brought in an extra 30,000 passengers. New Zealand is still *angry about* ICAP. Mr. Warren Cooper says "Australia and New Zealand should have complementary multi-destinational *agrements* rather than making it difficult for each other."

Mr. Cooper is to meet Australian Federal and State Tourist Ministers later this year in the hope of reviving the flagging Australian market, although Australians still make up the largest number of overseas visitors. Particular attention is being paid to the Japanese market, which generated the fastest rate of growth in the past year (19 per cent) and is expected to take off when the direct New Zealand-Japan air link is established later this year. Japanese investors have also expressed interest in hotel developments, where the Government is offering an opportunity for 100 per cent foreign ownership, as well as Government *assistance in marketing.* But, says Mr. Cooper, "other countries have been more flexible in the past" and so far nothing has been finalised.

*Fishing the Kawarau River in the popular Queenstown holiday resort area in South Island*

What New Zealand has to offer the tourist is an abundance of beatutiful scenery and opportunities to sample the outdoor life in a pollution-free environment. This in turn engenders *arguments within the country* over just how far tourism should be encouraged if its effects on conservation and social harmony are to be minimised.

The dilemma seems reflected in Government policy which, *while encouraging tourism*, takes a more neutral stance on such controversial matters as the introduction of casinos, the relaxation of the New Zealand five-day working week to permit Saturday trading in the major centres and a more generous attitude towards licensed restaurants.

The tourist industry has become more sophisticated, how*ever, even if it is still geared* more to the wealthy package group than to the individual travelling independently. On *South Island scenic flights* and jet boats provide the visitor with spectacular scenery, while Rotorua on North Island provides a glimpse of Maori culture and a look at volcanic peaks and geothermal springs.

The ski-ing industry is being developed to encourage winter tourism. There are currently 25 ski fields, of which 11 are commercially organised. NZ\$5m has been invested in a new ski field in North Island at Turoa and there are plans for another field near the popular South Island resort of Queenstown.

There is some scepticism within the tourist industry *about the commitment* by the Government to provide the necessary increase in hotel accommodation to meet projected demand. In a report by the Tourism Advisory Council in November, 1978, it was estimated that 2,675 new hotel rooms would be required up to 1983 and a further 2,925 in the period 1987-88.

Government policy is designed to remove State involvement from the industry as far as *possible—although the Develop*ment Finance Corporation is assisting the financing of new hotels where private capital is *not forthcoming. There seems* little prospect, however, that the TAC targets will be fulfilled and so far there is little sense of urgency and only a modest programme for hotel rooms in view.

It is probable that the Government is moving cautiously because of memories of the fall in tourist traffic which temporarily half-closed one new prestigious hotel and severely curtailed the profitability of others. The Government, however, is sanctioning a further 700-800 rooms in North Island.

If the Government is holding its breath and keeping its fingers crossed for the health of the tourist industry. It is also adopting a cautiously optimistic attitude. Mr. Cooper says confidently: "People have a migratory disease. Even if travel costs treble over a 10-year period *more people will con*tinue to travel." The Government hopes that many of them will come to New Zealand.

**Kathryn Davies**

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*Contact:*

**Mr. Richard Holden, Export Manager**
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**Farm exports last year earned New Zealand NZ$3.85bn, 75 per cent of all exports. Meat led with NZ$1.3bn, followed by wool (NZ$850m) and dairying (NZ$633m). Earnings could be increased to NZ$5bn, according to a Government study. Dai Hayward reports.**

# Britain the big meat buyer

THIS SPRING there will be more than 100m sheep and lambs grazing in New Zealand—a country no larger than Britain and with only half-a-million hectares (1.25m acres) of first-class cropping land.

Intensive beef, sheep and lamb production makes New Zealand the world's biggest exporter of sheep meat and the third largest meat exporter. People in almost a hundred countries will eat more than 300,000 tonnes of NZ lamb and 80,000 tonnes of mutton this year.

The sheep flock is spread over 22,000 farms. The average farm covers 520 hectares (1,290 acres) each carrying 2,500 sheep and 180 beef cattle, but nearly half are single-owner farms, worked and operated by the farmer and his family. Usually the only outside help is at shearing time when mobile shearing gangs move in.

Since the introduction in 1882 of the refrigerated cargo ship, which enabled New Zealand to supply London's Smithfield and the markets of Europe with good quality frozen meat, its meat industry has been geared to export.

This means the meat producers—and because meat provides more than 40 per cent of total export earnings, the economy too — are heavily affected by changes in world meat prices.

Plunging wholesale prices at Smithfield in 1979 sent the New Zealand meat industry from what Meat Board chairman Mr. Charles Hilgendorf describes as "a near boom year to a near bust year." From the middle of the year Smithfield prices, which set the pattern for world prices for New Zealand lamb except in the U.S., were 7p a lb lower than 1978 prices. When the effects of UK and New Zealand inflation are added the New Zealand sheep farmer was much worse off financially selling meat to British butchers in 1979 than he was in 1978.

## Favoured

Naturally many favoured every effort to develop new markets. Although the Meat Board has worked hard to find new markets since it was first advised to do so by British Cabinet Ministers two decades ago, it has no intention of abandoning the British market. Indeed, it could not do so entirely because no other market in the world can possibly absorb the quantity of lamb eaten by the British. The Meat Board and the industry have worked hard to achieve a balance of supply to demand.

The industry is committed to providing always sufficient supplies to meet British demand but without flooding the UK market to the detriment of home producers. New Zealand sheep flocks are increasing and will certainly rise above their present record level, so new markets will have to be found for the extra lamb coming off the farms every year.

The biggest breakthrough for the Meat Board last year was a contract to supply 200,000 tonnes of lamb to Iran over the next four years. This deal will be worth more than NZ$400m.

New Zealand had to supply 45,000 tonnes this season and already Iran has exercised its right to increase the initial order to 57,000 tonnes. Special Iranian butchers had to be flown to New Zealand to kill the lambs in conformity with Moslem religious law and a Moslem religious leader had to tour NZ freezing works to determine in which direction the butchers had to stand to face Mecca.

But Iran is only one of the new markets established by the Meat Board after years of long negotiation and promotion. This year NZ will ship 345,000 tonnes of lamb overseas.

The British market needs around 200,000 tonnes a year. Although New Zealand is not directly involved in the Franco-British lamb war, the French action in shutting out British lamb reduced the price received by the New Zealand farmer.

Since Britain joined the EEC all New Zealand lamb entering the UK has to pay a 20 per cent EEC levy. Although the meat industry thinks this is too high it has learnt to live with it. In 1979 the tariff was equal to a loss to the New Zealand farmer of 5m export lambs a year.

Some cynics in the meat industry have suggested New Zealand would be better off giving half of these lambs away for nothing to an underdeveloped country which could become a permanent and worthwhile customer in the future.

The meat farming and processing industries are geared to sending lamb for slaughter at between three and six months. All sheep live outdoors so lambs must be born in early or late spring and raised during the grass-growing months before going to the giant meat processing plants in middle or late summer. These works operate full out from December to March.

This season the sheep farmers will pay NZ$340m as the cost of killing and processing export meat. This is more than half of the total overseas earnings received from sales of lamb throughout the world last year.

The problem of cost escalation is the most serious facing the meat industry, but the meat producer is largely at the mercy of overseas market conditions over which he has no control but which affect the standard of his own livelihood and the economy of his country.

*The New Zealand-designed milking turntable on a farm at Palmerston, South Island*

# Fresh markets for dairy produce

MAN AND nature have combined in Ned Zealand to create the most efficient dairy industry, in terms of cost and production, in the world. It is doubtful of farmers of any country will ever match New Zealand in efficient production of milk and milk-based products.

The average New Zealand dairy farmer looks after and milks 104 cows, with the help only of a wife, a schoolboy son or possibly a part-time labourer. Younger farmers, anxious to secure as quickly as possible, handle up to 160 cows on their one-man farm.

He copes single-handed with large milking herds by the use of modern labour-saving methods such as the NZ-designed rotary milking shed. In this the cow steps on to a raised revolving platform, while the farmer stands on the floor and attaches milking cups to each cow, which is then milked by the machine as it revolves slowly round the shed. When milking is finished the cups automatically drop away and the cow steps off.

The New Zealand dairy farmer gets no Government susbidies or special financial payments apart from the fertiliser subsidy available to every farmer in New Zealand.

Despite the uncertainties of international dairy trade and despite the problems of gaining access to markets, restricted by political barriers, New Zealand will sell all the dairy produce it produces this year.

## Dumping

Even the problems created for New Zealand by the EEC's restitution scheme—which in the eyes of the New Zealand dairy leaders is only a polite term for dumping—have not stopped the NZ Dairy Board finding world markets for all the butter, cheese and other products coming out of the country's modern dairy factories and milk processing plants.

It has kept ahead of the problems caused by stockpiles, EEC intervention rules and what it often regards as unfair competition from EEC suppliers by continually turning milk into new products and finding new markets for them.

Product development has become vitally important over the past decade. Dairy factories which once produced almost nothing but butter and Cheddar cheese produce 120 different product lines including various types of skim-milk powder.

The big growth area in the past two years has been Central America. New Zealand is confident that given political stability sales will continue to grow rapidly. The biggest single market is Peru but the fastest developing sales are in Nicaragua, Guatemala, Venezuela, and El Salvador.

The growth in sales to South America results from better marketing, better representation and improved shipping services. New Zealand capitalised on the rising standard of living, particularly in Venezuela, and has now virtually ousted French competition.

Its dairy industry is vital to New Zealand's economy, with exports last year worth NZ$ 633.1m. Butter provided more than a third of dairy exports, with milk powders providing NZ$ 173.4m. The dairy industry is so important to New Zealand that world dairy officials often do not realise that New Zealand exports only 1½ per cent of total world milk production.

Those heading NZ's dairy export sales drive and search for new markets have to be patient, long-suffering and optimistic men. For more than a decade New Zealand has been trying to persuade Japan to accept New Zealand cheese and ice cream. Japan has a 25 per cent duty on cheese imports, but despite this barrier New Zealand will supply 30,000 of the 100,000 tonnes of cheese eaten by the Japanese this year. The NZ Dairy Board, however, is quick to point out that New Zealand has not really broken into the cheese-eating habits of the Japanese.

Cheese consumption in Japan is less than one kilo per head. In France it is about 25 kilos and in New Zealand nine kilos.

New Zealand is also critical of high Japanese levies and duties which keep up Japanese retail prices of dairy produce and thus reduce consumer demand to justify restrictions on imports.

If Japan would admit New Zealand milk powder for ice-cream manufacture New Zealand is confident Japanese officials would be staggered at the size of consumer demand. New Zealand is no wmaking a wide range of cheeses both for export and home consumption. Three years ago it made hardly any gouda. This year it will ship 7,000 tonnes to the U.S. and Australia. In five years domestic cheese production has doubled, thanks to an intensive and a sophisticated marketing campaign.

The most exciting development in the New Zealand dairy industry today is a product called solac. This is a high-protein product similar to the white of an egg which is produced from whey. It is acid-soluble and is used for energising soft drinks as well as in the catering industry and in the manufacture of baby goods.

## Converted

It was developed largely by the New Zealand Dairy Research Institute and although it is very expensive the Dairy Board is so convinced of potential world demand it has converted three processing plants specially for solac production. To make only four pounds of solac requires one gallon of whey. Already there is a big demand for solac in the U.S., Japan and Europe. In the U.S. the biggest use is for whippings and toppings but in Europe it is for baby food.

This year New Zealand factories will produce 5,000 tonnes of solac.

In NZ as in the world dairy industry butter is the major problem. The existing agreement providing access for 115,000 tonnes of butter to the UK and Europe expires this year but the NZ Dairy Board and dairy industry are quite confident that New Zealand butter will still have a place on the British market.

The Dublin statement on the future of butter exports guaranteed New Zealand continuing access and the NZ Dairy Board recently commented: "World business is built on the expectations that reputable political undertakings will be maintained. So it is quite unthinkable that the Dublin declaration guaranteeing continued access for New Zealand butter to the EEC will not be met."

# Timber exports to increase fourfold

A BIG increase in planting fast-growing timber will give New Zealand a billion-dollar export industry by the year 2000. By comparison, earnings from forestry product exports last year, including paper and pulp, were NZ$296m.

So the latter-day descendants of the forests which once provided the masts and spars for Nelson's warships will again become a major factor in New Zealand's economy and ultimately help in solving its energy problem. But the giant kauri trees of Nelson's time have gone, replaced by man-made forests of exotics which will yield a fourfold increase in production and exports over the rest of this century.

Production which at present is 8.6m cubic metres a year, will be four times this by the year 2000 and more than 36m cubic metres by the year 2015.

## Task force

While the trees are growing New Zealand is making determined efforts to develop processing industries and markets for the timber. A special forestry task force headed by a Government forestry expert is planning development and seeking new export markets.

A major effort is being made to persuade the Japanese to build their houses from radiata pine. This is already the major house building timber in New Zealand and is rapidly becoming so in Australia. But the Japanese are showing reluctance to accept it, and as part of the campaign to overcome this the NZ Government staged a forestry seminar in Tokyo last year to demonstrate how radiata pine can be used in house building.

Radiata pine is not a native of New Zealand, where most of the virgin forests were hardwood. When radiata was first introduced as a shelter timber for farms few could have realised the extent to which it would thrive in its adopted environment and become a major factor in NZ's industrial development and forestry industry. In its native home, in small areas of the American west coast, it is not a very impressive tree, but it thrived in the NZ climate, soil and growing conditions to become a fast-growing good quality timber tree, reaching maturity in just over 21 years.

During the 1930 depression the Government of the day set up a planting programme to provide work for the unemployed. As a result 750,000 acres (300,000 hectares) of planted exotic forests were established in just 12 years. These include the world's largest man-made forest at Kaiangaroa, which became the basis for New Zealand's thriving pulp and paper industry. The State still owns more than 50 per cent of the exotic forests.

New Zealand is the only country in the world to carry out intensive pruning and thinning of tens of millions of radiata pine saplings to produce good quality uniform sized trees. New Zealand radiata pine is the most researched and documented plantation timber in the world. Nowhere else has forestry disease been so effectively controlled by aerial spraying which does not affect wildlife.

The pulp and paper industry set up to utilise the large number of trees coming to maturity was established by New Zealand Forest Products (NZFP)—still New Zealand's leading forestry company—in 1953. Its plant at Kinleith, covering 340 acres (233 hectares), is not only one of New Zealand's biggest industrial complexes but a fine example of an integrated forestry unit. It incorporates the whole gamut of timber growing and processing from Huge nurseries producing millions of seedlings through planting and forest manage- to logging, sawmills, plywood mills, waste paper plant and pulp and paper manufacture. NZFP produces about 22 per cent of all New Zealand's forest products.

## Production

Pulp production at Kinleith alone is 450,000 tonnes a year. Together with production from several other mills including those of Tasman Pulp and Paper pulp production is now more than 1m tonnes a year. New Zealand produces about 300,000 tonnes of newsprint and 365,000 tonnes of other types of paper and paper board. Exports go to 26 countries.

The paper and pulp industry has a history of industrial unrest which has severely curtailed production in several years. This year a complete shutdown at Kinleith caused by a strike already in its tenth week in mid-March severely affected production and exports, a setback from which the country will not recover in 1980.

But important although pulp and paper production is—and will be for the next two decades—it is the use of timber to provide a substitute liquid fuel vehicles, which could be the most important development in the forest industry.

A pilot plant for the production of ethanol from wood waste, to be used as a fuel for the transport industry, was established last year. A mixture of up to 25 per cent ethanol with petrol can be used in the existing internal combustion engine and this could be a major factor in cutting new Zealand's heavy dependence on imported oil.

The ethanol plant will utilise the large quantities of waste which are left over by many of the existing forest processing industries. Between 200 and 250 litres of ethanol can be produced from a tonne of wood. The cost of producing the product is less than the retail price of petrol in New Zealand today.

At present the tops of trees felled—tops which are removed before the trunks are taken to the mill—are burnt. It is estimated that in one timber growing area alone the discarded tree tops would provide 500,000 tonnes of waste for ethanol production.

The pilot plant is concentrating on reducing the cost of wood sugars which are the key factor in the cost of producing ethanol. Making ethanol particularly attractive is the fact that small-scale operations using only 200 tonnes of wet wood daily may be a viable commercial operation. This means ethanol plants could be set up at several different forestry operations.

So forestry, which is now equal to butter as an export earner, will over the next two decades bring New Zealand new prosperity employment and overseas funds.

# Wool supplier to the world

NEW ZEALAND will produce a record wool clip of 343,000 tonnes this season, an increase of 5 per cent on the 321,000 of last season. Demand has remained high and prices well above those of last season. By February more than 1m bales had been sold at an average price of 270 cents a kilo compared with 218 cents.

The sheep flock is also a record, with 63m breeding ewes being carried through the coming winter, an increase of 7m over the period since 1976. Not only are there more sheep; the average fleece is much heavier than last year, when it weighed 5.16 kilos. This year it is averaging 5.4 kilos. The damp spring weather and good grass growing season have encouraged farmers to keep their lambs on the farms until they are older and the fleece longer. Plenty of feed also means a heavier clip.

The wool clip has been flowing steadily on to the market, with the Wool Board intervening only occasionally to maintain prices. In January it bought only 2 per cent of the 26,000 bales sold.

In the first seven months of the current season — ending July—854,000 bales were sold through the auction ring, earning NZ$355m compared with NZ$243m last year.

The big news in the wool industry today is the emergence of China as a dominant buyer: it has the potential to become New Zealand's best wool customer within 10 years. New Zealand has established a solid relationship with China and positioned itself strategically to take advantage of the industrialisation and modernisation of the textile industry planned by the Chinese Government.

In the past three years Chinese purchases of New Zealand wool have rocketed. In the 1977-78 season they were 32,000 bales; last season they doubled to 75,000 bales and this season look likely to reach 100,000 bales.

New Zealand is now supplying more than 60 per cent of Chinese raw wool imports and most of this is turned into yarn in the newly developed factories producing knitting wool. The Chinese climate is an ally. The winters are cold and Chinese families traditionally wear warm padded clothing. Now Chinese housewives are being encouraged to knit more of their families warm clothing by the production of new and more varied hand-knitting wools.

New Zealand has sent a team of technical experts to China for talks with industrial planners and officials. The Chinese are particularly interested in modern techniques of moth- and flame-proofing of yarns or woven materials. New Zealand wool is ideally positioned to develop wool textile exports aimed at the middle and lower price market. Although China has more sheep than New Zealand its wool production is lower. It also wants to expand its wool textile exports so it must buy imported wool for home consumption and for the export manufacturing industry.

The increased sales to China two seasons ago helped New Zealand get rid of its stockpile of unsold wool from previous years. The 1978-79 season was the first for many years in which it was able to sell all of that season's clip and reduce the stockpile, which melted away with astonishing rapidity. At the end of the 1977-78 season in July there were 200,000 bales of wool unsold. Next season this had shrunk to 80,000 bales and at the start of 1980 was only 25,000 bales—many of which have since been sold. Although the virtual disappearance of the stockpile is a relief in many ways it also means there is no longer a buffer to cushion widely fluctuating demands.

## Identical

Another big buyer this season has been the Soviet Union with sales in the first half of the season well ahead of last year. At the end of December the Soviet Union and the UK had bought almost identical quantities of wool—14,768 and 14,761 tonnes. It seems likely that the Soviet Union this year will become New Zealand's best customer, pushing Britain—for many years New Zealand's biggest wool buyer—into second place. Although New Zealand soundly condemned Soviet intervention in Afghanistan and cut the Soviet's fishing quota in half in retaliation, it did not place any ban on wool sales.

New Zealand's wool is mainly sold through auction, where it is subject to restraints introduced to protect individual farmers—who also have the protection of the Wool Board, which can step in when prices fall below the minimum level. Growers have the option of sending their wool to auction where prices can fluctuate from month to month or they can sell privately to a buyer at the farm gate. Farmers are only too happy to have the benefit and protection of the auction system when the market is weak but when prices are high many prefer to sell at the farm gate.

At least a quarter of New Zealand's wool is now being sold privately and the Wool Board and the industry are worried that private selling will undermine the whole auction system. To encourage more wool into the auction ring extensive changes will be introduced to the system this year. These are intended to make the auctions more flexible and reduce the time a farmer has to wait for his wool to be sold and receive his money.

One change is the introduction of the sample system. Buyers will not see the whole consignment or bale, which might be stored miles away, but will assess its value and bid on a sample.

Apart from the problem of rising costs common to both the dairy and meat industries in New Zealand, the wool industry is healthy, with favourable prospects both to the two bales can into the space industry as a whole.

One successful effort to counter rising costs has been a 7 per cent cut in freight rates on wool shipments to Europe. This was achieved by the introduction of new dense dumping presses which compact the volume of wool so that almost two bales can go nto the space formerly needed for one. The new presses mean that a six-metre container will be able to carry 90 bales instead of the previous maximum 56.

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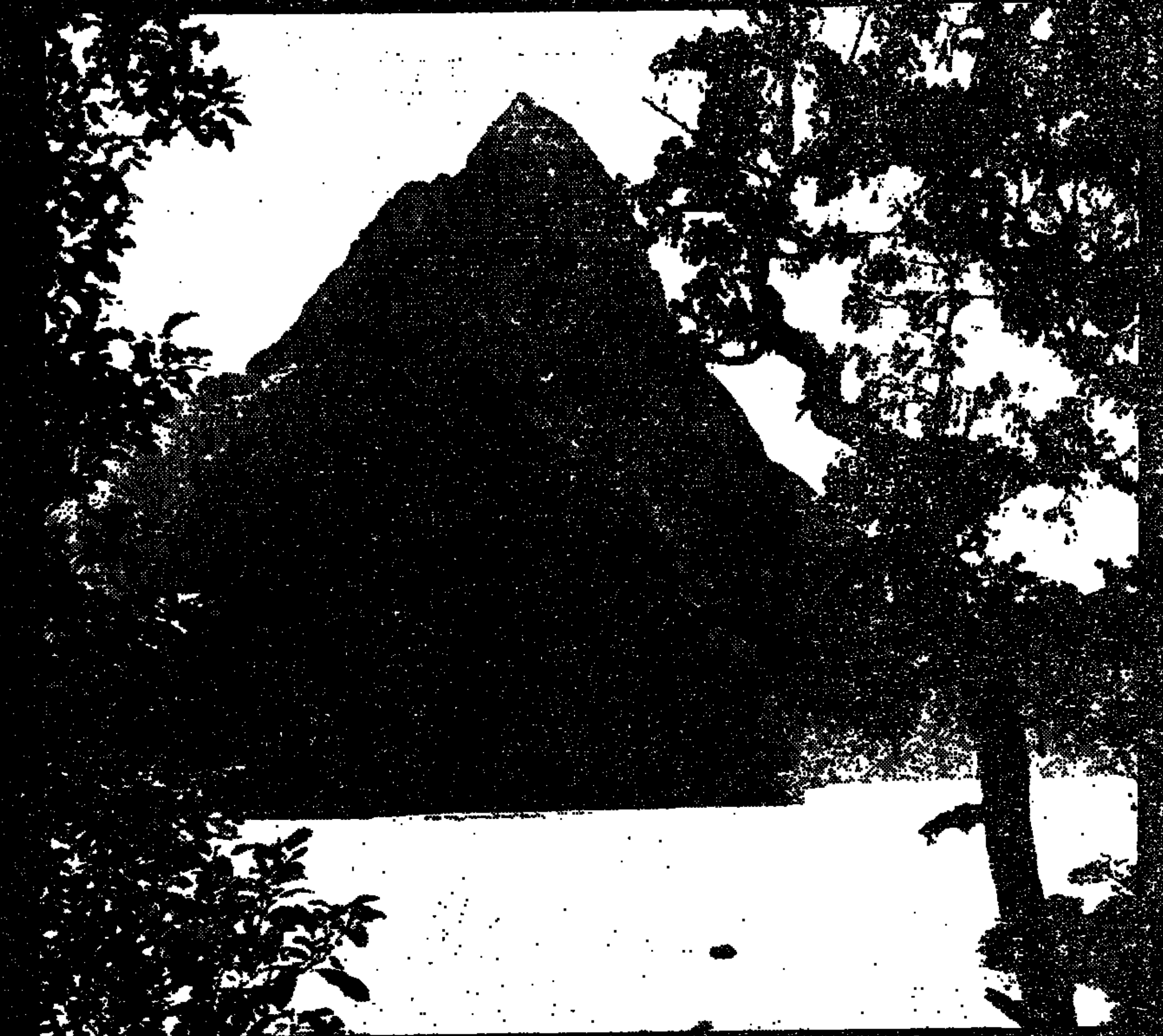

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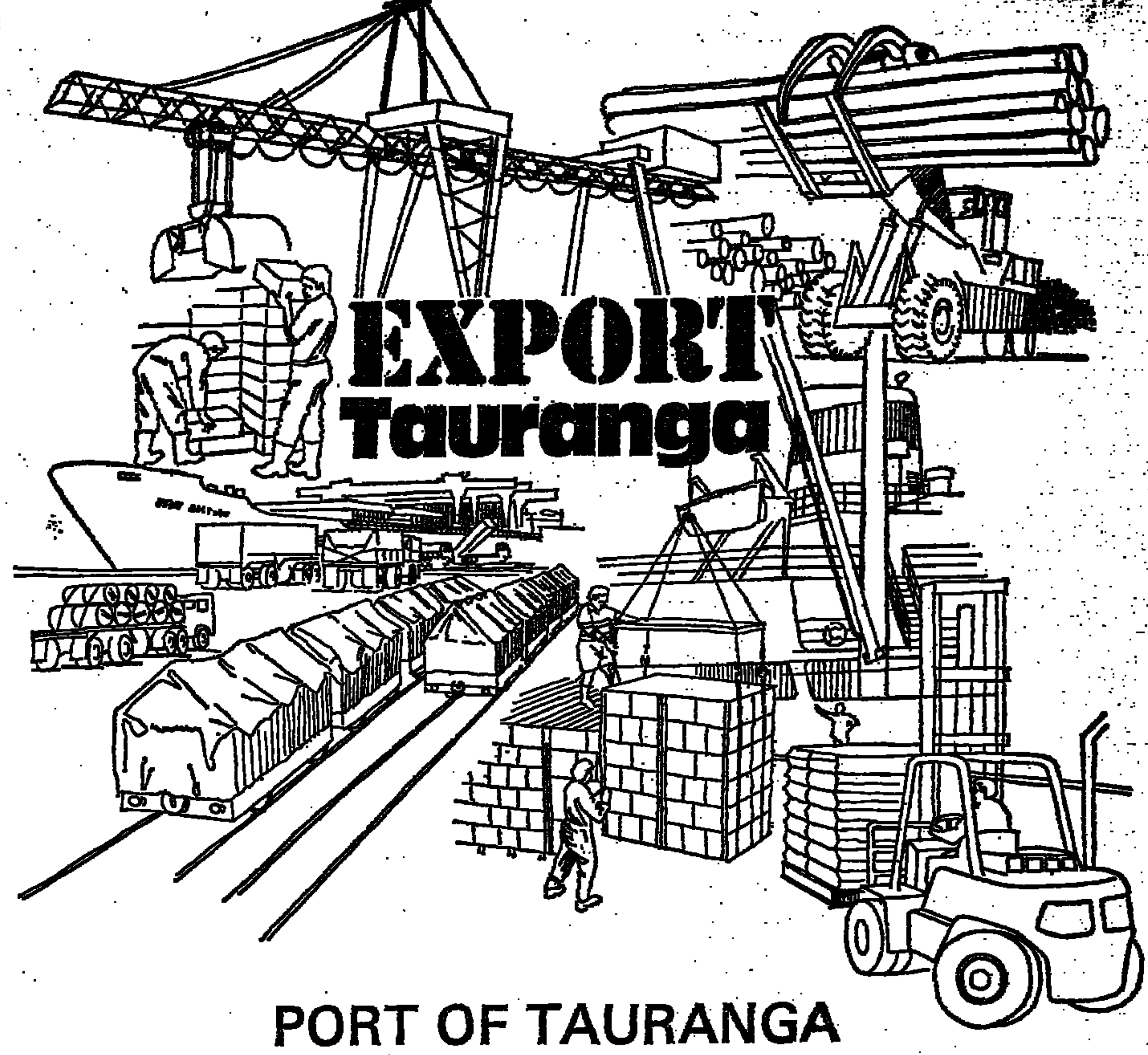


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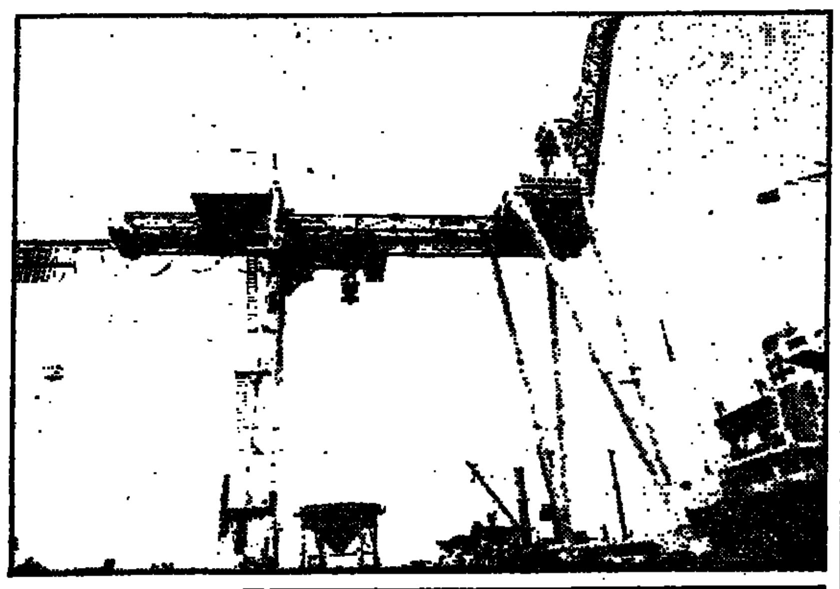

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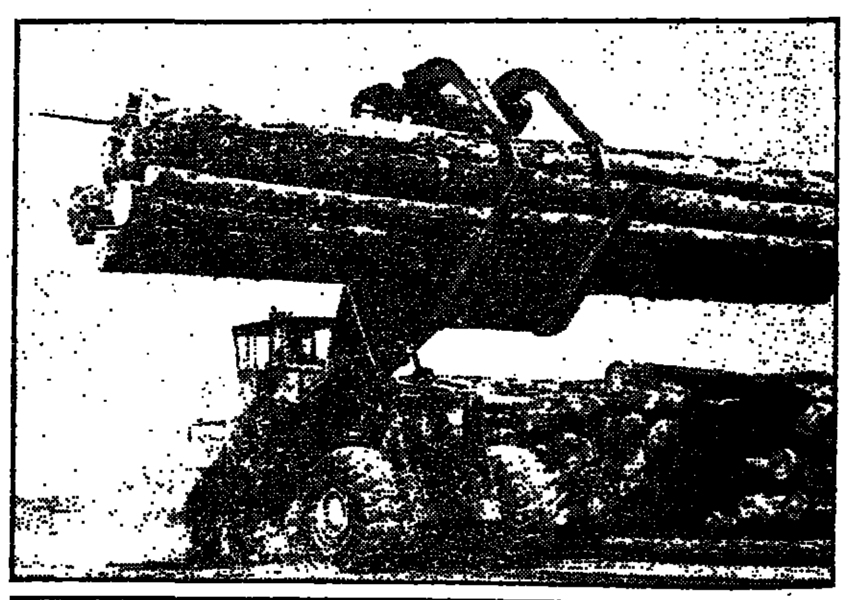

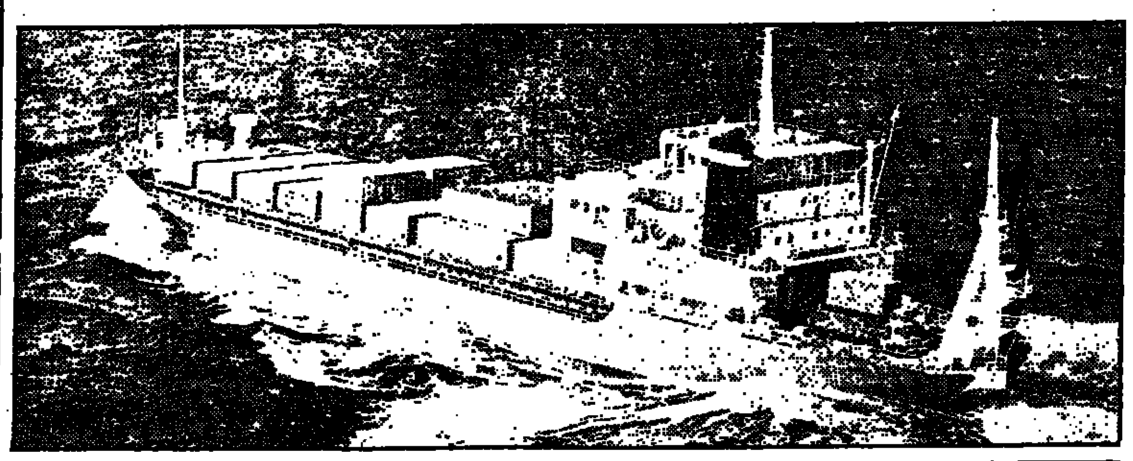

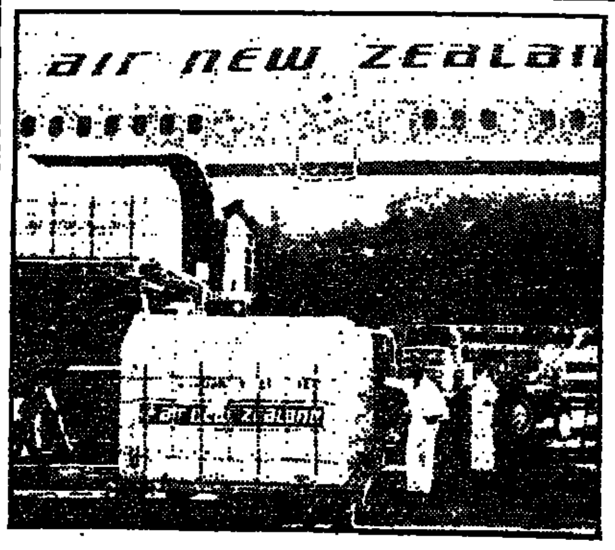

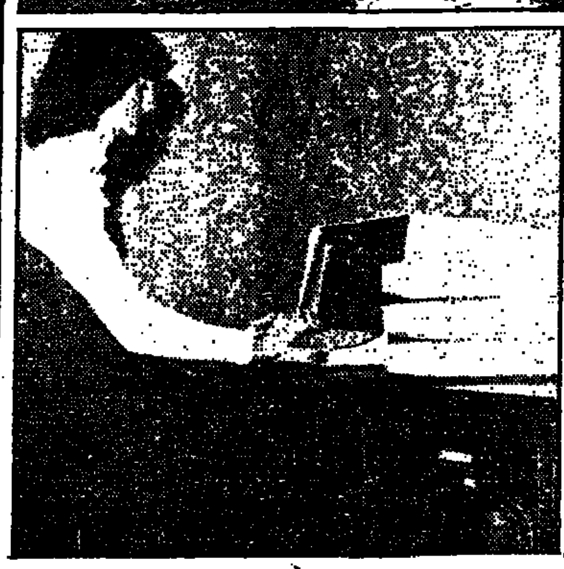

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**EL SALVADOR AFTER THE ASSASSINATION** **By Hugh O'Shaughnessy in London and William Chislett in Mexico City**

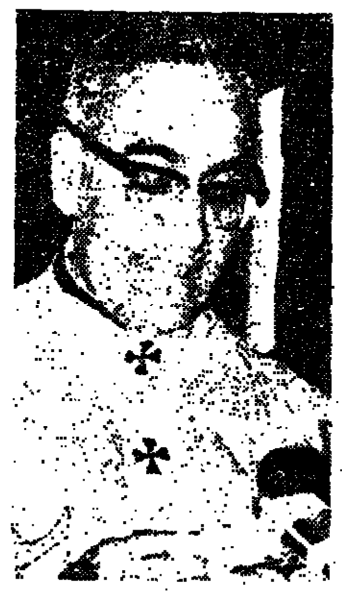
# America's troublesome isthmus

THE ASSASSINATION on Monday of Mgr. Oscar Romero, Archbishop of San Salvador, has made the already critical situation in the small and heavily populated Central American republic of El Salvador very much more dangerous. His killing will make the civil war in the country all the more bitter and serve further to polarise attitudes between Right and Left throughout Central America, a troublesome isthmus to which Washington is looking with increasing apprehension.

Archbishop Romero was gunned down in all probability by one or other of the Right-wing extremist groups which have for decades had a powerful influence in El Salvador. Once a committed conservative, he had gradually changed his political outlook and for the past few years had been looked on as a thorn in the side of the Fourteen Families, the closely-knit oligarchy which runs the country.

He had been bitterly critical of the political and human rights situation in El Salvador and the gulf between these Fourteen Families and the mass of the population in this crowded coffee- and cotton-growing republic. He attacked the police state methods of his namesake General Carlos Humberto Romero, the conservative officer who was president from 1977 till he was toppled in a palace coup last October. He was not a great deal kinder to General Romero's successors, two colonels who seized power, proclaimed a reformist programme and yet were unable to put it into effect.

But nor did the Archbishop approve of the Left-wing terrorist groups which made money and political points by a campaign of kidnapping and assassination which rivalled that of the Right. Slight and at times diffident, he was politically awkward for extremists to deal



Archbishop Romero

with. His Sunday sermons from the pulpit of his ugly concrete cathedral in San Salvador's main square brought him huge congregations and were consistently embarrassing for the Salvadorean establishment.

But because he was fundamentally a man of peace — it would not be too much to say the Thomas a Becket of Central America — his killing bodes ill for his country and his region. It is another twist in the already violent and convoluted scene which has witnessed the emergence of one revolutionary government less than a year ago in neighbouring Nicaragua.

Four of the Central American countries are at present in turmoil. The strategic importance of the area and fear of Cuban, and ultimately Soviet, activity there have meant that very few other topics besides the Middle East, Iran and Afghanistan are given higher priority in the U.S. State Department.

For decades there have been political and social tensions in El Salvador, Nicaragua, Honduras and Guatemala. In each country the social structure consists of a small oligarchy and a large and usually indigent minority. Movement for change has been put down ruthlessly. In 1932 General Martinez stifled a peasant rising in El Salvador by killing an estimated 20,000 people. In all four countries a precarious "stability" was maintained by dictatorships such as the Somozas in Nicaragua and a succession of military men in the other countries.

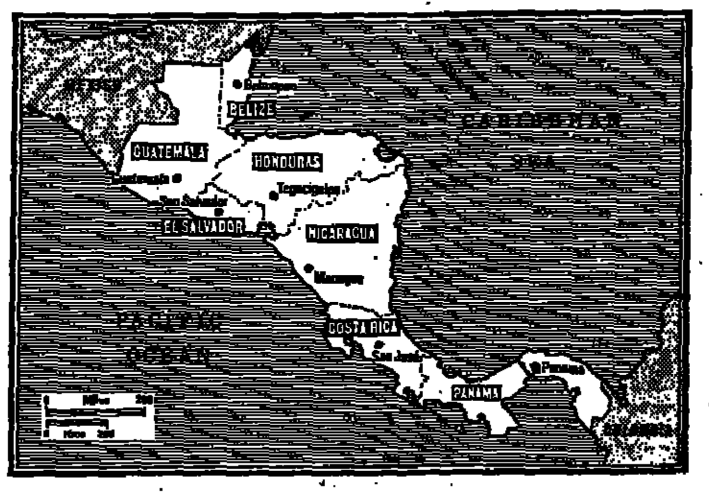
These autocratic systems could count on U.S. support as a matter of routine. In exceptional circumstances when they faced real challenge, such as in the 1950s when President Arévalo and Colonel Arbenz embraced reformism in Guatemala, U.S. resources were directly committed to their overthrow.

The U.S. position was summed up in an exchange in 1940 between President Roosevelt and Secretary of State Cordell Hull. The President asked whether General Anastasio Somoza Debayle, then angling for a visit to Washington, was not "a son of a bitch." Mr. Hull replied: "Sure he is, but he's our son of a bitch."

This situation was not greatly altered by the advent of Fidel Castro to power in 1959. Somoza and the others were keen collaborators in plans to oust him and the Bay of Pigs operation was launched from Nicaragua and Guatemala against Cuba in 1961.

Pressure for social change continued to be strong, however, and was given a boost by President Carter's determination to give some teeth to his human rights policies. He realised that his ability to exert leverage on the USSR over its disregard of human rights was limited if he disregarded the situation in the U.S. "backyard."

The new U.S. attitude was




summed up last year by Mr. Viron Vaky, then Assistant Secretary of State for Inter-American Affairs. He said: "Change is inevitable. Defence of the status quo cannot prevent change nor contain instability for a long time . . . The real issue is not how to preserve stability in the face of revolution, but how to create stability out of revolution."

As the Somoza dynasty was toppled in mid-1979 the State Department finally decided not to take an unco-operative attitude to the Sandinistas who displaced them. This approach seems to have prevailed against arguments from hardliners in Congress and the Pentagon who felt that the new Nicaraguan Government was determined to rush headlong into the arms of President Castro and President Brezhnev.

General Policarpo Paz, the ruler of Honduras, has been encouraged in his plans to hold elections next month and some pressure has been exerted on General Romeo Lucas in Guatemala to allow effective political dissent. Last month in El Salvador itself the U.S. openly warned right-wing extremists in the army not to stage a coup against the two ruling colonels because Washington would have no truck with a new extremist regime.

The moderates' arguments in Washington have themselves been strengthened by the demonstrably weak position of President Castro, who is facing grave political and economic difficulties at home while his non-aligned allies abroad are unhappy over his assent to the Soviet invasion of Afghanistan. Though many in Washington are still deeply suspicious of the attitudes of the Sandinista Government in Nicaragua and the hawks made much of a visit by four Sandinista leaders to Moscow last week, the course of the Nicaraguan revolution has given the U.S. little cause for genuine concern.

The Sandinistas' links with EEC, West Germany and Washington's other allies among the world's Social Democratic governments have quickly become much closer than General Somoza's ever were. Aid has flowed into Nicaragua to shore up an economy whose gross national product fell by 25 per cent last year, and donors have included many Western governments.

But the good intentions of Washington moderates have run up against the adamant attitude of Central American hardliners. Accustomed to decades of fraud at election time, the Salvadorean establishment has been thoroughly scared by the departure of General Somoza and the arrival of the Sandinistas in Nicaragua. Many have taken their money out of the country and others have fought hard against the U.S.-backed reformism of the present junta led by Cols. Majano and Gutiérrez. This resistance to change has weakened the left-of-centre and moderate forces, such as the Social Democrats and the Christian Democrats, which Washington was hoping would come to the fore.

Pessimists will see in the assassination of the Archbishop a further proof that El Salvador is inevitably doomed to a long drawn out and violent struggle between the Far Left and the Far Right.

And if violence has become increasingly common in El Salvador, it has been a feature of life in Guatemala for decades. The daily toll of death by political violence in Guatemala is put at between 10 and 20 people. Occasionally there are massacres such as the killing of more than 100 peasants at Panzós in 1978 or the action by police who stormed the Spanish embassy in Guatemala City a few weeks ago with the loss of 39 lives. But mostly the violence consists of the daily murders and kidnappings of individuals in the towns and cities.

According to Amnesty International some 20,000 people, mainly peasants, urban workers and students, were killed between 1966 and 1974.

In Honduras where the military has ruled since 1972, elections are to be held on April 20. But the poll may not be very clean for the military is working hand in glove with the conservative National Party and has banned the Christian Democrats for the highly legalistic reason that their registration papers were not in order by the requisite date. The Christian Democrats are not strong but are well organised in the countryside. Doubtless, that is the reason for their exclusion. The U.S. has made its displeasure known at the military action but has not pushed the issue too far for fear of provoking the soldiers to go back on their decision to hold elections at all.

So far, the isthmus has not developed into a battleground between the U.S. and the Soviets but if the right-wing governments by some miscalculation were ever tempted to make a strike against the Sandinista government in Nicaragua it would be unlikely that the Cubans, despite the Castro Government's problems, would stand idly by. And if a major conflagration began, Costa Rica, the only effective parliamentary regime in the region, would be lucky to escape involvement. Panama and its canal could also be in jeopardy.

For the moment, these developments are only a Washington nightmare. But they are a sufficiently real threat for the U.S. to want to redouble its efforts to get some effective political and social stability in Central America. Archbishop Romero's murder demonstrates that it will be a long and thankless job.

A nun kneels in prayer near the bullet-ridden body of the archbishop at the Divine Providence Hospital Chapel in San Salvador.

# Letters to the Editor

## Monetary punditry

*From Dr. J. Collings.*

Sir,—The nonsense views on the relationship between the public sector borrowing requirement and monetary conditions attacked by Anthony Harris (Lombard March 20) mark a new departure in simplistic thinking on this subject. Until now such thinking has generally involved the assumption that the behavioural relationship between the PSBR and monetary growth is the same as the accounting identity: change in sterling M3 = PSBR + private bank borrowing in sterling − public debt sales to non-bank private sector − overseas finance to public sector and banks − change in bank non-deposit liabilities.

This equation does not adequately describe the relationship between changes in the PSBR and monetary growth since the factors causing a change in the PSBR will also cause changes in the other terms in the equation.

To emphasise the complexity of the relationship between changes in the PSBR and monetary growth, many economists have pointed to the absence of a statistically significant relationship between past changes in sterling M3 and the PSBR considered in isolation. It is ironic that the lack of such a relationship is now being interpreted in some quarters as meaning that PSBR changes have no effect on monetary conditions. What it actually shows is that sensible conclusions on whether fiscal policy is consistent with monetary policy cannot be reached by looking solely at the anticipated size of the PSBR. Changes in either the size or composition of the PSBR, whether due to fiscal policy changes or to external factors, will be associated with changes in other determinants of monetary demand. Unfortunately, wider appreciation of these complexities will make punditry on monetary matters a great deal more difficult.

Dr. John Collings,
*The University of Aston,*
*Management Centre,*
*158, Corporation Street,*
*Birmingham.*

## Tradition in education

*From the Principal,*
*Northern College*

Sir,—Gossip columns are fun but they should be more firmly based on the truth than Men and Matters manages on March 21. The attack on the Northern College from the Sheffield Chamber of Commerce goes back to the foundation of the college 18 months ago. It was based on a misunderstanding of the aims and management of the college and this should by now have been corrected.

You report Mr. Iveson of the Sheffield Chamber as saying that the council of management of the college consists only of Labour Councillors and trade unionists. This is not true. It includes the heads of the Sheffield and Hull University adult education departments, the Dean of Social Studies at Sheffield Polytechnic, the district secretary of the Workers' Educational Association and the four academic advisers to the college—Lord Asa Briggs, Professor David Donnison, Professor Royden Harrison and Professor Raymond Williams. The college diploma on the liberal and gateway studies course and on the other two-year college courses is being accepted by Universities as a qualification for higher education—sometimes into the second year of a degree course. The college was recently inspected by four of Her Majesty's Inspectors and given a clean bill of health.

We have been successfully finding students with paid educational leave from the employers to fill the third of our places in the college which is reserved for short courses. Only a half of the students in the college are on courses of trade union studies. We certainly do not teach one dogma but aim to open students' minds to a wide range of opinions and philosophies. We think that that is what the liberal tradition in adult education is about.

Michael Barratt Brown.
*Wentworth Castle,*
*Stainborough,*
*Barnsley, Yorks.*

## Equalising pensions

*From Mr. R. Bankes-Jones*

Sir,—I would like to expand the idea of financing equalisation of public- and private sector pension "increases" by rebate on employer National Insurance contributions (which include a 3.5 per cent payroll tax).

In current terms, take a firm with 2,000 employees and average pay of £5,000. The payroll is thus £10m and the 1980-81 employer contracted out contributions in fact total some £1m (£500 per head). Assume, further, 500 pensioners at average pension of £750 pa. A 20 per cent pension increase would increase the pension roll by £75,000 pa (assuming no deaths!). That is 7.5 per cent of the total employer NI contributions. The relevant rebate through the employer to the pension scheme would be activated in conjunction with the relevant returns to the authorities at the end of the tax year.

Clearly, in national terms, the cost of that would be shifted to, say, income tax on relevant incomes if not covered by, say, gradual return to the numbers/cost in upper echelons in public administration not so many years ago. Equally clearly, the principle might be applied only to pension increases above, say, 5 per cent minimum. The difficulty, on the face of it, which might be caused for insured (as distinct from self-managed) pension schemes is surely no ground for blackball, any more than the dovetailing involved in the principle in general should be unduly difficult for the Inland Revenue/DHSS to arrange or costly to administer.

R. M. Bankes-Jones,
*154, Palewell Park,*
*East Sheen, SW14.*

## Sour grapes by some

*From Mr. P. Platt*

Sir,—Forgive my cynicism, but those who attack the principle of index-linked pensions in the public sector are those who do not or will not receive them.

Why then shouldn't this attitude of sour grapes be applied to all those who in other ways receive tax benefits at the taxpayer's [illegible]. And so far as infla[illegible] benefits are concerned, it should be remembered that what the taxpayer pays today is in real terms the same as he pays tomorrow.

So many civil servants have worked for poor salaries in unrewarding government service over their lifetimes, have contributed in some measure to the cost of their pensions and in fact have relied on their pension fund managers to invest wisely so as to offset at least partially the ravages of inflation.

They are indeed mean-spirited people who deny them their contractual right.

Peter Platt.
*4, Coleman Street, EC2.*

## Benefits for children

*From Mr. D. Lindsay*

Sir,—Whatever some Conservatives may have said of the child benefits scheme (your leader of March 18), it is certainly flawed on two grounds, namely: it is a universal state handout that runs directly counter to the personal (and family) responsibility this Government is pledged to uphold and foster; and in ousting the previous child tax allowances (CTAs) it has caused massive inequity in the tax system, as it cannot be too often repeated that those supporting children have not anything like the same tax-paying capacity on a given income as have the child-free.

Of course, there is a case for assisting parents in work whose income, nonetheless, is below tax threshold after taking account of CTAs, but this situation is the exception, not the rule. Yet the tail has been allowed to wag the dog, and hard cases to make bad law.

The recent debate on school transport neatly illustrates the point. With no tax relief at all for the heavy cost of bringing up children, is it surprising that the Lords threw out the proposal to transfer more costs to parents, in spite of the majority of the Lordships no doubt feeling that parents should accept financial responsibility for their offspring?

Surely it is not beyond the capacity of government advisers to devise a scheme that provides assistance where it is needed (using "claw-back" if necessary) while allowing the restoration of CTAs and consequent tax equity?

David G. Lindsay.
*36 Orchard Coombe,*
*Whitchurch Hill,*
*Reading,*
*Berks.*

## Productivity in steel

*From Mr. R. Hindson*

Sir,—We have just received the annual report for 1979 of a profitable steel company. This company is not Japanese, it is Canadian, namely DOFASCO—Dominion Foundries and Steel. Apart from being profitable in 1979 DOFASCO has in fact declared an increased dividend on its common stock each year since 1970. One assumes that good management has piloted the company safely and profitably through the decade during which the British steel industry has been virtually destroyed.

In so far as productivity is concerned DOFASCO, although not a world beater in this respect, shows just how far British Steel Corporation has to go in reducing manning levels in all areas. DOFASCO produced just over 4m net tons of ingots and castings (not finished products) in 1979 with the average number of 13,700 employees. If one extrapolates the production figures to say 15m tons per year then this tonnage could be produced by less than 50,000 employees, although if Canadian trends over the last 10 years are taken into account it is likely that fewer people would be required.

It would seem then that the real problem facing people employed by BSC (and their union representatives), the board of the Corporation, the Government and possibly the European Community is how to achieve the necessary two-thirds reduction in the numbers currently employed by BSC without causing disastrous social and other consequences. Certainly up to now there seems to have been precious little appreciation of the scale of the problem by the politicians of any political party. This probably accounts for the sheer inadequacy of the "solutions" applied up to now. What is really needed is a coherent strategy based on informed consideration for the individuals involved. One always believed that a Conservative Government could and would implement such strategies. The question is "Can this particular Conservative Government do such a thing?" Unfortunately for those of us who support the Conservative Party the answer on present form is "No."

Richard Hindson,
Hindson and Partners.
*Star House,*
*14 West Street,*
*Bridport,*
*Dorset.*

## Established customs

*From the Chairman,*
*HM Customs and Excise*

Sir,—In his letter of yesterday about payments of VAT between registered traders Mr. J. C. Holland accuses my department of using "the reputation for impartiality and integrity earned by the civil service in the past to hide the truth by every means in its power."

The question whether VAT payments between registered traders should be eliminated is complex and cannot be dealt with adequately in your correspondence columns. There are indeed arguments both ways. But I must respond at once to Mr. Holland's reflections on our integrity. A working party consisting of representatives of the Consultative Committee of Accountancy Bodies, the Confederation of British Industry, the Retail Consortium, the Federation of Wholesale and Industrial Distributors and this department studied this whole matter and presented its report, which was published last April. Of the five bodies represented, only one (CCAB) favoured the proposed change: the other four found that the balance of argument was against it.

It is ludicrous to suggest that we could have successfully concealed the facts from these four distinguished bodies even if, for some reason which escapes me, we had wished to do so. The system we use is that adopted by all other EEC countries as well, so the conspiracy suspected by Mr. Holland must be an international one.

(Sir) Douglas Lovelock,
Board Room,
*King's Beam House,*
*Mark Lane, EC3.*

# Today's Events

**GENERAL**

UK: Budget Day.

Mr. Geoffrey Chandler, National Economic Development Council director-general, speaks at Institution of Mechanical Engineers' forum on the future of British industry, London.

Mass meeting of dockers, Liverpool.

Public expenditure for the next four years White Paper published.

Viewdata 80 exhibition opens, Wembley Conference Centre.

Duke of Kent opens Heralds Museum, Tower of London.

Overseas: European Parliament votes on Common Market farm prices, Strasbourg.

**PARLIAMENTARY BUSINESS**

House of Commons: Chancellor's Budget statement. At 7 pm. opposed private business. EEC document on protection of workers from harmful substances.

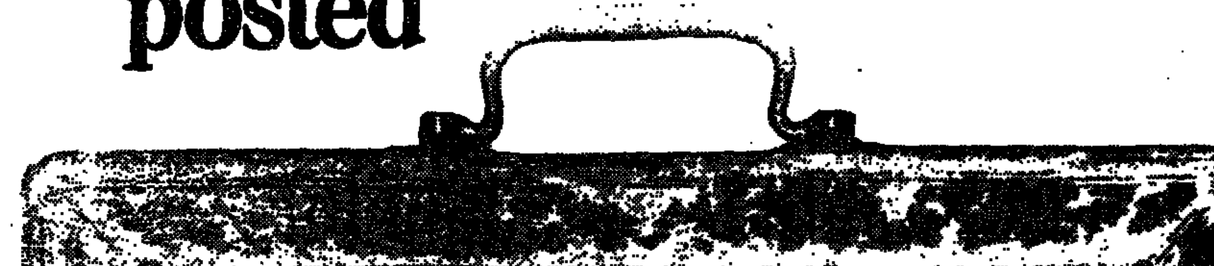
House of Lords: Debate on forestry strategy. Short debate on life sentence prisoners.

Select Committees: Foreign Affairs. Subject: Consequences of Soviet expansion for British foreign policy. Witnesses: Foreign Office, Mr. F. Singleton. Room 15, 10.30 pm. Energy. Subject: Government's nuclear power programme. Witnesses: Health and Safety Executive, Nuclear Installations Inspectorate. Room 8, 10.45 am.

**COMPANY MEETINGS**

Bank Leumi (UK), 4-7, Woodstock Street, W., 2.30. Camford Engineering, Argyll Works, Stevenage, Herts., 12. Drake and Scull, The Churchill, Portman Square, W., 12. Edinburgh American Assets, 1, Charlotte Square, Edinburgh, 2.30. Goode Durrant and Murray, Durrant House, Chiswell St., EC, 10. Kenning Motor Offices, Old Road, Chesterfield, 12. Robert Kitchen Taylor, Connaught Rooms, Gt. Queen St., WC, 12. Moorside Trust, 44, Bloomsbury Square, WC, 10.30. Newbold and Burton, Premier Works, Brooke Street, Sileby, near Leicester, 11. Porvair, Estuary Road, Kings Lynn, Norfolk, 11.30. Prestige Group, Prestige House, 14-18, Holborn, EC, 12. Scottish American Investment, 45, Charlotte Square, Edinburgh, 12. Tendring Hundred Waterworks, Caxton Hall, Caxton Street, SW, 12.15. York Waterworks, Lendall Tower, York, 12.

**We keep our subscribers posted**



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# UK COMPANY NEWS

## Reckitt falls by £10m: expects improvement

A £3.87m fall in the second half following the £6.42m decline in the first six months left pre-tax profits of Reckitt and Colman down from £61.3m to £51.01m in the year to December 29, 1979. Sales rose from £606.64m to £659.08m.

North American profits tumbled to £1.42m (£7.84m), although the second half showed an improvement. However, trading difficulties have continued in certain activities and the directors have decided to close some of them.

They add that, apart from North America, Brazil and UK exports, the group's performance around the world was generally of a high order but this was not adequately reflected in the results because of the strong pound.

On prospects, the directors say they do not pretend that it is going to be easy to maintain progress in all the group's markets.

However, they confidently expect the North American results to increase and that group figures will improve—the rate of improvement depending very much on sterling exchange rates and the world economy.

The net total dividend is stepped up from 5.926582p to 8.5p, as forecast at the interim stage, with a final of 5p. Last year's payment has been adjusted for the subdivision of 50p shares into 25p shares. Stated earnings per share are down from 27.84p to 22.55p.

Tax took £19.78m, against £23.46m. There were extraordinary debits of £5.22m (£1.7m) which consisted of provisions for losses of closure of sites and businesses, less £3.09m related tax relief.

*The reduction in pre-tax profits* resulted in a net cash generation which was not adequate to cover the working assets increase of £11.71m (£13.31m) and the cash required to pay for developments and acquisitions, which totalled £47.8m this time.

As a result, the directors say, borrowings increased by £26.07m to £62.72m and these, together with higher interest rates, caused *the £3.76m rise in interest* charges to £8.53m in 1979.

The UK trading divisions were hit by the transport drivers' strike at the beginning of the year but recovered in the second half. This left taxable profits at £14.46m (£16.48m) on sales of £219.92m (£189.79m).

The food and wine and the household and toiletries divisions performed well and in certain areas increased market share significantly. In pharmaceuticals, branded products had an excellent year, while ethical products had more restricted progress.

Having reviewed the high cost of overseas development, the directors have decided that development in new territories should be by way of licensing to third parties; the joint venture in the U.S. with Morton Norwich will, however, be maintained.

In Europe, sales increased to £125.28m (£105.49m), and taxable profits rose to £9.06m (£8.7m). Principal contributors to this were the group's business in France which had a disappointing second six months, and a substantial loss in Germany, offset by good trading results in Ireland.

After a disappointing performance in the first half, the core parts of the North American business, principally the manufacture and sale of branded food products through the retail grocery trade, made a good recovery. However, large potato crops in 1977 and 1978, together with excess manufacturing capacity, resulted in low profitability in the industrial and contract sectors of the company's processed potato business.

Despite a smaller potato crop in 1979, there still remains overcapacity in the industry. As a result, provision has been made in the accounts to write down the plants at Winnemucca and Washburn to estimated realisable value. Production will be concentrated at the largest plant at Shelley, Idaho.

Substantial losses occurred in the Morton Quality Products business in 1979 and further losses were expected in 1980. Consequently, it has been decided to withdraw the loss-making products and concentrate on the dry shaker packs which provide a satisfactory contribution to the R. T. French Company. As a result, the plant at Newark, Delaware, will be closed and provision has been made for the related costs.

Trading for Reckitt and Colman Australia gained momentum as the year progressed. In local currency terms, sales increased by 14.2 per cent, profit before tax by 13 per cent.

*Against a fairly* depressed economic background, Reckitt and Colman in New Zealand again performed very strongly. Sales, in currency, were up by 19.9 per cent and profit by 19.1 per cent.

The Brazilian companies' results were adversely affected by strong inflation and ever-increasing price control. In addition, sterling strengthened against the cruzeiro by 123 per cent and this severely affected the translation of local currency figures.

The directors say that until there is a change of price control policy in Brazil, the business will be unable to provide sufficient funds for further development. Despite these difficulties, the Globo subsidiary, which deals in the rapidly expanding oxide and pigment markets, *brought its new plant at Porto* Feliz into production and volume targets are being achieved.

Mr. James Cleminson
*chairman of*
Reckitt & Colman

See Lex

## HIGHLIGHTS

Lex forecasts the outlook for C. T. Bowring in the wake of the decision by the Office of Fair Trading not to refer the U.S. bid for the insurance broker to the Monopolies Commission. **London and Scottish Marine Oil** is coming strongly into profits as the oil flows from the Ninian field and Lex examines its dividend paying capacity, its attractive asset position and prospect of winning new exploration rights in the next round of licence awards. **Reckitt and Colman** fell badly last year and interest charges climbed steeply although there had been an improvement in second half trading profits, with the U.S. businesses to the fore. The column also looks at the heavy recent fall on Wall Street. Among the other companies reporting yesterday, **Brent Chemicals** accompanied its usual strong growth with the almost traditional cash call, this time the rights is designed to raise £3.8m, **Spirax-Sarco** has maintained momentum despite the damage done to profit overseas on sterling translation and **Fairview Estates**, the residential and industrial developer, has more than doubled interim pre-tax earnings.

## United Newspapers advances to £8.2m

TAXABLE PROFIT at United Newspapers has risen 19 per cent from £6.88m to £8.19m for 1979, on turnover well ahead at £69.82m compared with £57.4m last time.

The final dividend of 15p takes the total for the year to 24p (15.60995p). The final last time was 9.23248p.

The directors propose to increase the ordinary capital of the company by £2m to £4.5m by a transfer from reserves and to make a one-for-one scrip

*Lord Barnetson*, the chairman, says results for the first quarter of the current year are well ahead of the corresponding period last year, but adds that the performance for the year will depend on the pace of inflation and on reasonable stability in trading conditions.

The profit includes investment income of £696,000 compared with £448,000, a rise partly due *to higher interest rates* and partly to an increase in the funds invested. At year's end the company's cash resources amounted to £6.7m compared with £4.5m at the end of 1978.

Revenue from newspaper advertising went up by 23.6 per cent to £35.77m, while volume rose by about 10 per cent for display and classified advertising. Newspaper sales revenue *accounted for £14.63m, an* increase of almost 8 per cent.

Throughout the group £3.24m was spent on new plant and equipment and on the improvement of working conditions.

The tax charge increased from £3.02m to £3.87m and there was an extraordinary credit of £285,000 (nil).

The group profit was increased by £27,000 as a result of a change of accounting policy for investment grants. The tax charge was calculated in accordance with SSAP 15 and the comparative figure restated.

### ● comment

Spurred by the great advertising boom of 1979, United Newspapers has now turned in a pre-tax rise of nearly a fifth, following a pattern set by other provincial newspaper groups last year. The 23.6 per cent advertising revenue increase, combined with cover price rises and an increase in interest received, has produced some buoyant results. This, together with a 54 per cent total net dividend rise, pleased the market and the share rose 12p to 405p. But a large question mark still hangs over the future. As recessionary pressures multiply, the number of classified and display advertisements may shrink. It is still too early to tell, but the latter part of 1980 could be affected adversely at United and other groups such as BPM and Bristol. For the present though, the yield stands at 8.8 per cent, about a point over the sector average. On a full tax charge, the p/e comes to 7.4.

## LASMO tops forecast as profits come on stream

SOME £1.9M better than forecast, taxable profits of **London and Scottish Marine Oil Company** amounted to £23.44m for 1979, a turnround from a loss of £10.73m.

A projection *of £22.5m was* made in November last year, at the time of the merger with Oil Exploration (Holdings). The merger with OEH has been dealt with by using merger accounting principles and results include those of OEH for 1979 and also 1978, which have been restated accordingly. At the interim stage the pre-tax surplus was *£2.05m (£5.39m deficit)*.

Sales for the 12 months expanded from £4.98m to £63.39m. The Ninian field, in which the group has a 7.788 per cent interest, stated production in December 1978 and during 1979 LASMO sold 4.46m barrels of Ninian crude oil, the proceeds of which amounted to £57.2m. In addition Hewett gas and condensate sales amounted to £3m and Bates Oil Corporation oil and gas sales to £3.2m.

Since the preparation of interim accounts and the profit forecast made in November, the group has reviewed its method of calculating the provision for petroleum revenue tax (PRT) so as to reflect more equitably the charge attributable to the year's results. *The effect is to reduce* the 1979 PRT provision from the £17m previously estimated to £13.5m.

The group has also decided to commence making provision for the abandonment costs which may be incurred at the end of each field's producing *life.* Operating profits of £44.43m (£1.06m) were arrived at after providing £1.55m for such abandonment costs for the Ninian and Hewett fields.

Earnings per 25p share are stated at 12.72p (15.18p loss). As indicated at the time of the merger with OEH, no dividend is proposed for 1979.

Payment on the oil production stock in respect of *production for* the six months to December 31, 1979, will be made on April 30 at a rate of 30.9805p net per unit. Payment for the period to June 30, 1979, was 11.8226p.

During the year the group participated in exploration drilling in the North Sea, Philippines and Sharjah. In the North Sea two successful wells were completed in the T Block—the Tiffany discovery well and a Thelma appraisal well. Exploration activity at and since the year end includes participation in the drilling of two wells in Block 3/8a to the south of Ninian, two T Block appraisal wells, an Andrew appraisal well and an exploratory well in Block 30/29a.

*Bates Oil Corporation*, the company's wholly owned U.S. subsidiary, continued to benefit from the increase in prices of U.S. domestic crude oil. In January, 1980, it completed the acquisition of further oil producing leases in Kansas and its production interest is now some 1,400 barrels per day in Kansas, Oklahoma and Texas. It is the operator for the majority of its leases.

For 1979 the group's total capital expenditure totalled £30.5m of which £24.7m was for its share of the Ninian field development, bringing total expenditure on Ninian to £139.1m at the year end.

The group was able to make an £8.8m repayment on the unsecured term bank loans, ahead of original expectations, reducing bank borrowings at December 31, 1979, to £48.7m.

The AGM of the company will be held at Saddler's Hall, EC, on May 29 at 11.30 am.

| | 1979 £000 | *1978 £000 |
|---|---|---|
| Sales | 63,393 | 4,977 |
| Operating profit | 44,429 | 1,056 |
| Interest | 17,779 | 11,786 |
| Oil prod. stk. paymts. | 3,210 | — |
| Profit before tax | 23,440 | †10,730 |
| Taxation | 14,115 | 402 |
| Profit after tax | 9,325 | †11,132 |
| Unrealised exch. loss | 282 | 143 |
| Dividends paid by OEH | 351 | 306 |
| Retained | 8,692 | †11,581 |
| Deficit brought forward | 26,301 | 14,720 |

* Restated. † Loss.

See Lex

## Batley of Yorks. scrip

Batleys of Yorkshire, cash and carry wholesaler, is proposing a scrip issue whereby ordinary holders will have the option to receive either two new ordinary 10p shares or two deferred ordinary 12½p shares for each ordinary held, in respect of all or any part of their existing holding.

The deferred shares will carry no right to dividend for about five years; they will then be converted into ordinary shares on a five-for-four basis.

The directors expect to recommend an ordinary final dividend for 1979-80 amounting to £126,000 net, making a total of £172,860 (£151,200). The current year's interim was 1.3p, against 1.1p last time which was followed by a final of 3.1p.

## Stag Furniture ahead 46% and current year sales start well

*FOLLOWING THE midway* advance from £1.04m to £1.69m, Stag Furniture Holdings, furniture manufacturer, ended the year to December 28, 1979, with pre-tax profits ahead 46 per cent at a record £3.35m, compared with £2.29m. Sales increased from £20.73m to £29.5m.

Reduced consumer expenditure has led to competitive trading conditions and the directors say *that in the short-term* these are unlikely to improve.

However, the group is facing up to these conditions and sales for the first two months of the current year are around 2½ per cent up on the same period last year.

The directors state that in a good trading year for the group, Meredew Furniture acquired in November 1978, contributed a *full year's earnings while* both Stag Cabinet and Avalon Furniture increased their contributions.

After a lower tax charge, earnings per 25p share are shown well *ahead from 37.1p to 69.6p*, while a final dividend of 6.5p net raises the year's total to 10p (6.5p) per share. An issue of five ordinary shares and two 10 per cent cumulative £1 preference shares for every five ordinary is also proposed.

Tax took £566,000 (£769,000) and after dividends, retained surplus emerged at £2.3m, compared with £1.18m.

*The group is in a strong financial* position with its cash and bank balances at the year-end amounting to £1.26m (£0.33m). Current assets rose from £6.67m to £9.14m and there were current liabilities of £5.58m (£4.32m).

### ● comment

Meredew has obviously made a dramatic impact on Stag's figures, possibly chipping in *profits of £700,000 against* £118,000, but even so there is an underlying 22 per cent profits advance. The first half of the year produced some excellent figures, which came to an abrupt halt with 15 per cent VAT and though trading has become progressively more difficult in the second half it is only the Avalon upholstery operation (just 5 per cent of sales) which has really run into problems. Avalon, unlike the Stag and Meredew ranges, is at the cheaper end of the furniture market where slack demand is already begin*ning to hurt.* The upholstery side is on a three-day week. Whether the upmarket manufacturers such as Stag, Parker-Knoll and Gomme can completely avoid the recession this year is doubtful but certainly they should weather it well. Stag has the benefit of £1¼m of cash—perhaps it is waiting to pick up another "Meredew" from the receiver this year. At 192p the *historic p/e of 2.7 and yield of* 7.7 per cent, before allowing for the scrip, looks reasonably attractive in a sector which will see its fair share of problems in 1980.

## Expanded Metal 9% higher despite second half decrease

PRE-TAX profits of Expanded Metal Company improved by 9 per cent from £2.32m to £2.53m in 1979. After improving from £950,000 to £1.17m in the first half, pre-tax profits in the last six months were marginally lower at £1.36m against £1.37m.

After tax, down from £731,000 to £675,000, profits showed a 17 per cent improvement at £1.85m against £1.59m, giving stated earnings per 25p share of 8.64p (7.72p) on the modestly enlarged capital. The final dividend is raised from 2.345375p to 2.5p for a total of 4.5p (4.095375p).

Mr. S. A. Field, the chairman, says in his statement that the results, which include the consolidation of Press Bat Holdings and BAT Lintels and Sections, acquired in February, 1979, did not match up to expectations held at the time of the interim statement.

He says this was largely due to a reduction in demand for *building products* during the latter months of the year. There was consequent pressure on margins, and this bore heavily on the BAT companies, demand for whose products is closely geared to new housing starts.

Estimates of these, which had been declining during the year, took a further sharp turn downwards following the autumn increases in *mortgage rates*.

The BAT contribution during the closing months was further reduced by costs of relocating into newly built premises BAT's important Dutch operations.

### ● comment

The decision by **Expanded Metal** to spend almost £5m on the BAT companies is hardly vindicated by yesterday's figures. Sales are up by around 50 per cent over the second half, but profits have taken a slight dip. This is partly attributable to relocation costs at BAT's Dutch subsidiary but, leaving this aside, the acquisi*tions can have made little con*tribution net of finance costs. BAT should do a little better this year, particularly in Europe, and the steel stockholding operation will have done nicely out of the steel strike. But the group's core UK businesses remain dull and the share price of 58p, which produces a p/e of 6.5 still looks a shade frothy. The attraction of the shares rests, aside from the 11.6 per cent *yield, on a strong balance sheet* and potential profits from the Explosafe development. Yet earnings here are a long way off and the market for the product is still unassured.

### SPAIN

| March 25 | Price % | + or − |
|---|---|---|
| Banco Bilbao | 222 | |
| Banco Central | 246 | |
| Banco Exterior | 205 | |
| Banco Hispano | 217 | |
| Banco Ind. Cat. | 130 | |
| Banco Madrid | 154 | |
| Banco Santander | 264 | |
| Banco Urquijo | 164 | |
| Banco Vizcaya | 228 | |
| Banco Zaragoza | 201 | |
| Dragados | 100 | |
| Espanola Zinc | 61 | |
| Fecsa | 572 | |
| Gal Preciados | 31 | − 1 |
| Hidrola | 64.2 | − 0.3 |
| Iberduero | 57.5 | − 0.7 |
| Petroleos | 106.2 | − 0.3 |
| Petroliber | 59 | |
| Sogefisa | 107 | |
| Telefonica | 54.2 | |
| Union Elect. | 62.7 | − 0.8 |

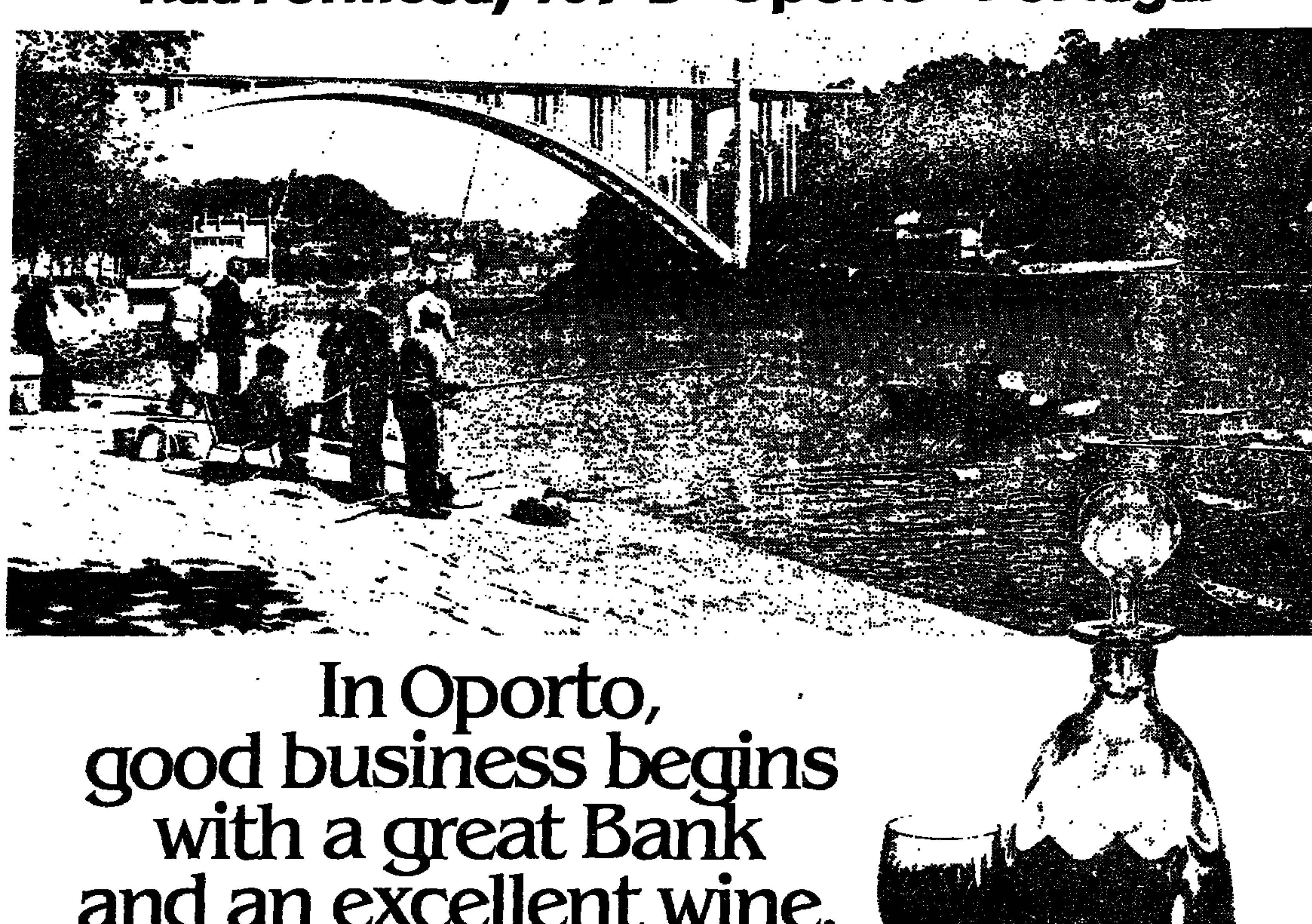
### EUROPEAN OPTIONS EXCHANGE

| Series | | April Vol. | April Last | July Vol. | July Last | Oct. Vol. | Oct. Last | Stock |
|---|---|---|---|---|---|---|---|---|
| ABN C | F.260 | — | — | 2 | 6.50 | — | — | F.256 |
| AKZ C | F.22.50 | 10 | 1 | 54 | 2 | 35 | 2.50 | F.22.50 |
| AKZ C | F.25 | 10 | 0.10 | 3 | 0.70 | — | — | " |
| AKZ C | F.27.50 | — | — | 20 | 0.30 | — | — | " |
| AKZ C | F.30 | — | — | 1 | 0.10 | — | — | " |
| AKZ P | F.22.50 | — | — | 2 | 1.20 | — | — | " |
| AKZ P | F.25 | 214 | 2.70 | 2 | 4 | — | — | " |
| AKZ P | F.27.50 | — | — | — | — | 1 | 6 | " |
| HEI C | F.68 | 12 | 2.10 | — | — | 1 | 5 | F.65.30 |
| HEI C | F.75 | 2 | 0.30 | — | — | — | — | " |
| HEI P | F.60 | — | — | 2 | 2.10 | — | — | " |
| HEI P | F.65 | 14 | 3.20 | 7 | 5.80 | — | — | " |
| HO C | F.17.50 | — | — | — | — | 20 | 2 | F.17.50 |
| HO C | F.20 | — | — | — | — | 10 | 1 | " |
| HO C | F.22.50 | — | — | 25 | 0.40 | 5 | 0.50 | " |
| HO C | F.25 | — | — | — | — | 7 | 0.40 | " |
| IMB C | $60 | — | — | 20 | ¾ | — | — | $54⅛ |
| KLM C | F.60 | 50 | 3 | 10 | 5.50 | 2 | 7 | F.61 |
| KLM C | F.70 | 51 | 0.20 | 73 | 1.70 | 4 | 3.20 | " |
| KLM C | F.80 | — | — | 115 | 0.50 | 46 | 1.40 | " |
| KLM P | F.60 | 126 | 2.30 | 80 | 5.20 | 2 | 5.50 | " |
| KLM P | F.70 | 122 | 9.50 | 29 | 10 | 5 | 10.50 | " |
| KLM P | F.80 | 27 | 19.50 | — | — | — | — | " |
| NN C | F.110 | 20 | 0.40 | — | — | 5 | 3 | F.100.90 |
| NN C | F.120 | 5 | 0.10 | — | — | — | — | " |
| NN P | F.100 | — | — | 5 | 3.80 | 5 | 5 | " |
| NN P | F.110 | — | — | 1 | 11 | — | — | " |
| NN P | F.120 | — | — | 3 | 20.50 | — | — | " |
| PET C | Fr.5000 | — | — | 1 | 350 | — | — | Fr.5070 |
| PET C | Fr.6000 | — | — | 8 | 90 | — | — | " |
| PET C | Fr.6500 | — | — | 5 | 50 | — | — | " |
| PHI C | F.17.50 | 5 | 0.50 | 40 | 0.90 | 196 | 1.30 | F.17.50 |
| PHI C | F.20 | — | — | 20 | 0.40 | 108 | 0.40 | " |
| PHI C | F.22.50 | 3 | 0.10 | — | — | 13 | 0.30 | " |
| PHI P | F.17.50 | 12 | 0.60 | 15 | 1.60 | 5 | 1.60 | " |
| PHI P | F.20 | 10 | 2.80 | 12 | 3 | 15 | 3.10 | " |
| PRD C | $20 | 10 | 1⅛ | — | — | — | — | $20 |
| RD C | F.140 | 20 | 8.50 | 15 | 13.50 | 1 | 15.50 | F.149.40 |
| RD C | F.145 | 25 | 5.90 | 12 | 9 | 17 | 11 | " |
| RD C | F.150 | 256 | 3.20 | 197 | 6.20 | 9 | 9 | " |
| RD C | F.160 | 456 | 0.70 | 271 | 3.30 | 55 | 5 | " |
| RD C | F.170 | 191 | 0.20 | 495 | 1.30 | 69 | 3 | " |
| RD P | F.140 | 332 | 1.30 | 13 | 5.30 | 26 | 7.50 | " |
| RD P | F.145 | 282 | 2.70 | 38 | 7 | 18 | 9.50 | " |
| RD P | F.150 | 307 | 4.70 | 36 | 9 | 28 | 11.70 | " |
| RD P | F.160 | 253 | 13 | 28 | 16.10 | 12 | 20.50 | " |
| RD P | F.170 | 5 | 22.50 | 21 | 25.80 | 1 | 25 | " |
| UNI C | F.115 | — | — | 10 | 0.80 | 2 | 1.50 | F.104 |
| UNI C | F.120 | 6 | 0.10 | — | — | — | — | " |
| UNI C | F.125 | 17 | 0.10 | — | — | — | — | " |
| UNI P | F.105 | — | — | 2 | 7.50 | — | — | " |
| UNI P | F.110 | 4 | 6.50 | 3 | 11.50 | — | — | " |
| XRX C | $50 | 3 | 4 | — | — | — | — | $55⅛ |
| XRX C | $60 | — | — | 10 | 2⅛ | — | — | " |
| XRX C | $70 | — | — | — | — | 10 | 1⅛ | " |
| | | May | | Aug. | | Nov. | | |
| BA C | $45 | 2 | 8¾ | — | — | — | — | $52⅛ |
| BA C | $50 | 14 | 5¼ | 3 | 9 | — | — | " |
| BA C | $60 | 2 | 2 | — | — | — | — | " |
| OXY C | $25 | 10 | 1⅝ | — | — | — | — | $23 |
| SLB C | $100 | 5 | 7¼ | 3 | 12¾ | — | — | $99⅝ |
| SLB C | $110 | 11 | 4 | — | — | — | — | " |
| SLB C | $120 | — | — | 3 | 5⅛ | — | — | " |

TOTAL VOLUME IN CONTRACTS 5349

C=Call P=Put


## Rua Formosa, 407-B - Oporto - Portugal



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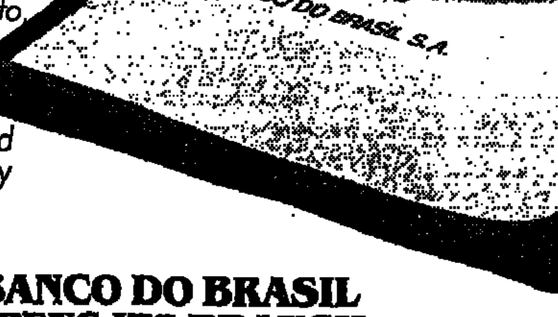



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# UK COMPANY NEWS

## Fairview doubled midway but slower future growth

FIRST-HALF taxable profits of Fairview Estates were more than doubled, rising from £2.34m to [illegible].5m in the six months to December 31, 1979, and the interim dividend is increased from 2.75p to 3.3p.

But it is not intended to maintain this rate of earnings growth, states Mr. D. J. Cope, the chairman.

The present high level of profit represents part of the stated policy to reduce housing land stocks quickly, generate cash to reduce borrowing and thus enable further progress to be made in the transition from pure housebuilder to property investment and development company, he adds.

House sales during the first half were buoyant, with improved margins maintained. However, as anticipated, the market is now more difficult, with increased building costs again eroding profit margins to a degree.

Turnover expanded from £12.22m to £15.4m and, after tax of £360,000 (£234,000) net profits were £4.44m against £2.1m. Earnings are shown as 41.3p (19.6p).

Pre-tax profit for the last full year was a record £7.18m, from which a total dividend of 7.907p was paid. The interim dividend now announced absorbs £355,000 (£296,000).

The contracted rent roll stands at £2.87m. This excludes several rent reviews upon which the due date has passed but the revised rentals are still to be agreed. When agreement is reached the contracted rent roll will be well over £3m, states Mr. Cope.

Several substantial lettings are under negotiation and good progress is being made with the sites in hand, he continues. The outlook in this division is most satisfactory, with the strictly controlled exposure essential in today's uncertain climate.

The borrowing level is currently being reduced and the balance sheet will be stronger still at the year end, concludes the chairman.

### ● comment

The more than doubled interim profits from Fairview Estates are largely a product of the reduction in housing land stocks—at a time when the market was very firm. The second half will see similar benefits and profits for the full year should work out at around £11m before tax. From next year, however, the group should have established roughly the desired balance between house builder and property company, so earnings growth will revert to a slightly more pedestrian rate. At 235p the shares trade on a prospective multiple of 2.2, on a nil tax charge, but the asset backing is a truer guide to their worth. On the basis of last year's balance sheet, the premium over net book worth is 7.4 per cent but a property revaluation, together with around £9.5m of retained earnings, could easily produce a net value of 400p by the year-end. At that level, the discount would be some 42 per cent, which is high. Fairview has delayed rent reviews to take advantage of the rise in the market but is now cashing in and should be showing a contracted rent roll of perhaps £3.5m by the end of the year. That revenue alone would cover the dividend quite handsomely.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

**TODAY**

*Interims*—A. B. Electronic Products, Harrisons Malaysian Estates, Sirdar.

*Finals*—Appleyard, R. Cartwright, Clifford's Dairies, Jardine Japan Investment Trust, Legal and General Group, Lyon and Lyon, Prudential Corporation, Rotork, Slough Estates, George Wills.

**FUTURE DATES**

| | |
|---|---|
| *Interims—* | |
| Bell (Arthur) | †March 27 |
| Bryant Holdings | March 31 |
| Glaxo | April 14 |
| Hepworth (J.) | April 3 |
| Kalamazoo | April 16 |
| M. T. D. (Mangula) | †April 2 |
| Peters Stores | April 9 |
| Startrite Engineering | April 9 |
| Wankie Colliery | March 28 |
| Yarrow | April 2 |
| *Finals—* | |
| Biddle | April 2 |
| House Property | March 31 |
| Hyman (I. J.) | April 2 |
| Laing Properties | April 23 |
| London Brick | April 3 |
| Miller (Stanley) | March 31 |
| Parambe | April 16 |
| Ready Mixed Concrete | April 15 |
| Reed (Austin) | March 27 |
| Southampton, I.o.W Rl. Mail | April 1 |

† Amended

## First half advance at Ricardo

PRE-TAX profits of Ricardo Consulting Engineers improved from £501,000 to £551,000 in the half-year to December 31, 1979 on revenue up from £3.43m to £3.95m.

The parent company, Ricardo, is experiencing a world-wide demand for its services and, this has encouraged the company to increase its staff and, consequently, its revenue potential in recent months, the board states.

There was a nil tax charge (£8,000) because of the company's substantial capital expenditure and stock relief.

The net interim dividend is raised from 2.75p to 3p—last year's total was 7p from pre-tax profits of £1.09m. Stated half-yearly earnings per 25p share are up from 18p to 19.2p.

## Equity & Law lifts payout to 11p

TOTAL premium income of the Equity and Law Life Assurance Society rose from £114m to £123m in 1979, and the dividend is stepped up with a final of 4p to 11p, compared with last year's single payment of 7.75p.

Earnings, excluding capital depreciation, advanced to £2.08m (£1.72m) or 10.4p (8.6p) per share. In recommending a total distribution somewhat higher than the earnings, the directors say they have regard to the under-distribution of earnings in recent years because of dividend restraints.

The premium income includes £16m in the Netherlands and £24m from all forms of unit-linked business in the UK.

New business under individual contracts secured sums of £739m (£682m) with annual premiums of £11m (£10.2m), including sums assured of £170m (£177m) and annual premiums of £2.5m (£2.3m) in Holland and Germany.

As expected, following the introduction of the new state pension scheme in 1978, there were fewer new group schemes, with new annual premiums falling from £9.1m to £5.8m. Increments under existing group schemes were buoyant, however.

At the end of the year, the long-term business fund stood at £832.62m (£717.33m).

### ● comment

The dividend total from Equity and Law turns out to be better than the market can have expected, up 36 per cent in gross terms, a gain which takes the yield at 196p to 8.3 per cent. But earnings do not appear to have been particularly buoyant, and indeed there is an element of payment from reserves, with cover only 0.95 times—which appears to reflect the board's wish to give a degree of compensation for past years of dividend restriction. This may explain the market's unenthusiastic response—the shares were unchanged—on the view, perhaps, that future growth could be more restrained. Still, Equity and Law has achieved good figures for 1980 so far, with individual pensions business staying strong, although group pension policies are sticky and mortgage business is reflecting a much more difficult housing market.

## Sharp decline at Bemrose

SECOND-HALF profits of Bemrose Corporation, the Derby-based printing, packaging and publishing group, dived from £1.15m to £218,000. This left the pre-tax surplus for 1979 sharply lower at £1.11m, against £2.4m after a jump in interest from £490,000 to £992,000.

The directors had warned at the interim stage, when profits were £890,000 (£1.25m), that the second half surplus would be substantially less than in the first six months.

They now say the fall resulted from disappointing performances by flexible packaging and engraving, and by book production and publishing.

However, they are confident the flexible packaging unit will be an important asset in the 1980s. Action has been taken to reduce the substantial losses being incurred by cylinder engraving, and the size of the engraving unit has been reduced.

The security printing and calendars units showed continued progress. The carton division improved its margins, and transfer printing performed in line with budget.

The net total dividend is raised from 4.2746p to 4.466p, with a final of 2.233p. After tax of £206,000 (£303,000), earnings per 25p share are shown down from 18.59p to 7.92p.

There are extraordinary debits of £525,000 (£170,000) which relate principally to reorganisation and rationalisation in the carton and cylinder engraving businesses.

A total of £3m was spent on new plant and machinery last year, of which some £600,000 was obtained from lease finance. The directors say the current phase of the modernisation and re-equipment programme has been completed, and new fixed asset investment will be well below £3m this year.

### ● comment

The collapse of second-half earnings at Bemrose was expected, but the view that the increased dividend reflects management confidence that Bemrose is over the worst may prove a bit optimistic. For the company the most worrying feature is the slide in its flexible packaging operation. Historically a fast growing sector Bemrose undertook a two-year expansion programme which was finished last year — just in time to see a flattening in the market and an influx of imports from Continental Europe. Profits were "significantly reduced" and there is no immediate respite in view. Elsewhere engraving went into the red and the book publishing side has been hit by the same factors that have upset the whole industry. The only bright spots were calendars, where Bemrose is the market leader, and the expanding security printing operation. The reorganisation of the carton and engraving businesses will reduce the cost base for this year and transfer printing — traditionally very volatile — is now at a size to produce a modest contribution. Yet the trading outlook is hardly exciting though Bemrose has at least finished its capital expenditure programme and it is squeezing working capital requirements. The 15.6 per cent yield is the prop at 43p.

## Marginal advance for Wolstenholme Rink

HIT BY the effect of a rising pound on its export market Wolstenholme Rink, the bronze and aluminium powder producer, saw taxable profits rise only slightly from £1.88m to £1.93m for the year to December 31, 1979, on turnover ahead from £13.3m to £15.5m.

As forecast in the interim statement the final dividend is 3.25p per share, making a total for the year of 5.75p compared with an adjusted 5p last time.

Mr. A. Green, the chairman, says all subsidiaries in the group are forecasting increased profits for 1980, with the exception of Wolstenholme Bronze Powders, which continues to be affected by inflation, the strong pound and international over-supply.

He says it is impossible to say to what extent the fall at Wolstenholme Bronze Powders will outweigh improvements in other areas but expects the group's profits for the year to be slightly down on 1979.

The tax charge was £718,764 compared with £577,318 in 1978. There was a net transfer to the copper account of £62,611 (£23,648).

Profit transferred to the reserves came to £997,693 compared with £1.1m last time. Earnings per 25p share were 24.8p (26.5p).

### BOLTON TEXTILE

The sale of Bolton House and early repayment of 5¼ per cent unsecured loan stock 1985-90 has been approved by shareholders of Bolton Textile. Accordingly, the loan stock will be repaid at £69.50 per cent on April 1, 1980.

## Garton slips to £863,000

REFLECTING increased costs and interest, difficult market conditions and exchange rate fluctuations, pre-tax profits of Garton Engineering slipped from £990,000 to £863,000 in 1979. Turnover rose £1.08m to £12.91m.

Sales in the first two months of the current year have shown a substantial improvement compared with 1979, says Mr. Aubrey Garton, chairman. This is despite the fact that disruption caused by the steel strike and secondary picketing is even greater than that experienced during last year's transport dispute.

The group, which manufactures and distributes precision engineering components and fasteners, is continuing to develop its manufacturing methods, says Mr. Garton, and there will be some degree of further rationalisation and integration with resulting economies.

"I would hope that the full force of the expected recession will be cushioned for our company by the changes we have made," concludes Mr. Garton. At this stage, he says, it is impossible to make a more positive forecast.

The profit is struck after loan stock interest of £21,000 (£34,000) but before tax of £17,000 (£12,000). Redundancy costs have resulted in an extraordinary debit of £9,000 (£5,000). Stated earnings per 10p share are 23.54p (26.05p).

A final of 3.5p lifts the dividend to 6.65p compared with last year's total of 6.515p.

### ● comment

It appears that the engineering strike hurt Garton far less than the earlier transport dispute and, after an interim 8 per cent fall, the fastenings group has done reasonably well to limit the drop to just over 13 per cent for the year as a whole. By contrast to the difficulties in the beginning of 1979, the current year has opened strongly and volume increased by at least a tenth during January and February. To an extent this is a reflection of capital spending but it is also a fact that Garton can still deliver efficiently. Forecasts for the remainder of the year are clearly impossible and the proximity of a severe recession mostly accounts for discount to assets of 155p per share implied by a share price of 65p. The fully taxed and diluted p/e of 5.7 might leave something to go for at present and the dividend is in no apparent danger. A yield of 15.8 per cent is therefore reasonably attractive. On top of which, the industry is offering no prizes for guessing which component manufacturer retains a healthy appetite for cheap presswork and fastening capacity.

### AGB RESEARCH

More than 96 per cent of the 2.79m new ordinary 10p shares offered to AGB Research shareholders as a rights issue have been taken up.

The balance has been sold and the excess over the subscription price of 25.54p per share will be distributed among the original allottees.


# Medminster Limited

## Furniture Hire, Shipping and Freight Agents

| Interim Statement for the six months ended 31st December, 1979 | 1979 £ | 1978 £ |
|---|---|---|
| Turnover | | |
| Shipping and Freight Agencies | 4,791,742 | 2,098,849 |
| Furniture Hire and Sale | 307,085 | 276,463 |
| Profit before Taxation but after interest and depreciation | 105,424 | 96,320 |
| Taxation | 61,000 | 54,750 |
| Profit after Taxation | 44,424 | 41,570 |
| Interim Dividend 11% (1978 10%) | 22,000 | 20,000 |
| Retained Profit | £22,424 | £21,570 |

Our shipping and freight interests have had a very busy half year, as will be seen from the enlarged turnover. This has also been reflected, of course, in the division's profits. The increased level of activity appears to be continuing.

It will be noted that furniture hire turnover has also increased and normally this would have resulted in higher profits but, during the period in which I am reporting, Medminster mounted two major promotions, mainly concerned with the creation of the two new divisions, Camden Furniture Hire in London and Freight Agencies Macpak in Liverpool, and the cost of these promotions has been charged in the period.

In the last half year, furniture hire turnover for films and amateur theatres was somewhat down but this was more than compensated for by the other activities of our furniture hire division, i.e. conferences, sports tournaments, conventions, exhibitions, television, etc.

We continue to invest in all classes and types of furniture and furnishings, and in a period of high inflation our stock is a valuable asset.

JOHN DELANEY
Chairman

19th March, 1980

# Bambers Stores Limited

## Profits Growth Continues

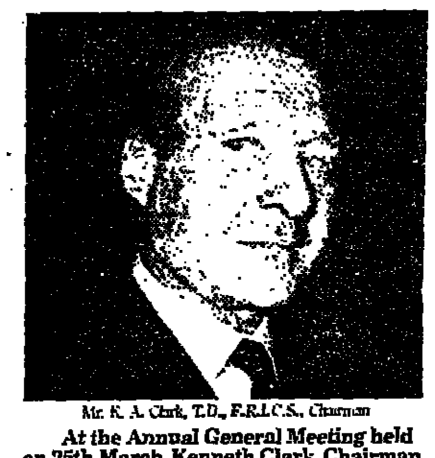
**Results for year to 2nd February 1980**

| | 1980 £000 | 1979 £000 | Percentage increases |
|---|---|---|---|
| Turnover (excluding V.A.T.) | 25,206 | 17,160 | 47% |
| Trading Profit | 5,816 | 3,315 | |
| Less: Bank Charges and Interest | 947 | 151 | |
| Depreciation and Amortisation | 801 | 375 | |
| Profit before Taxation | 4,068 | 2,789 | 47% |
| Taxation | 770 | 497 | |
| Profit after Taxation | 3,298 | 2,292 | 44% |
| Dividends | 479 | 263 | 81% |
| Retained Profit | 2,819 | 2,029 | |
| Earnings Per Share (adjusted for capitalisation issues) | 13.76p | 9.64p | 43% |

* Profit before Taxation up by 47%
* Dividends up by 81%
* 1 for 2 Scrip Issue
* Growth is continuing and 200th branch expected to open in the current year.

Bambers Stores Ltd., Aldersgate House, Cromer Road, New Barnet, Herts.

# Chairman reports steady progress from Northern Rock



Mr. K. A. Clark, T.D., F.R.I.C.S., Chairman

**At the Annual General Meeting held on 25th March, Kenneth Clark, Chairman of Northern Rock Building Society reported a year of sound progress against a background of high interest rates and increased competition for savings and investment.**

In his report, Mr. Clark made the following points:

**Assets:** The Society's assets at 31st December 1979 totalled almost £574 million which represented an increase of 15% on the previous year.

**Liquid Funds:** At the year end, liquid funds amounted to almost £109 million representing 18.94% of total assets.

**Reserves:** Reserves had increased to nearly £20 million which was 3.48% of total assets.

**Advances:** The Society advanced £100 million to more than 10,000 families to purchase or improve their own homes.

**Investments:** 89,000 new savings and investment accounts were opened during the year.

NR

# Northern Rock

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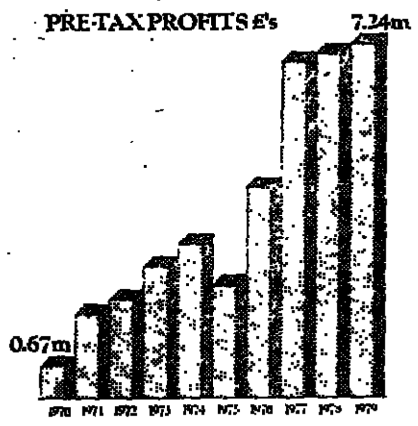
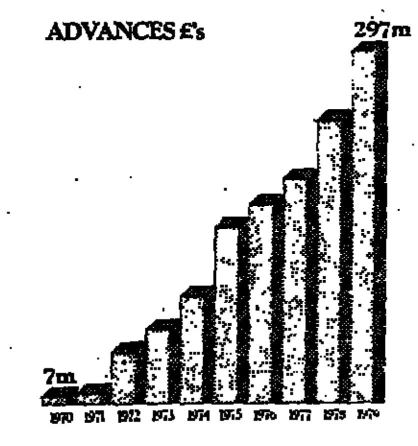
# Ten years of growth in merchant banking

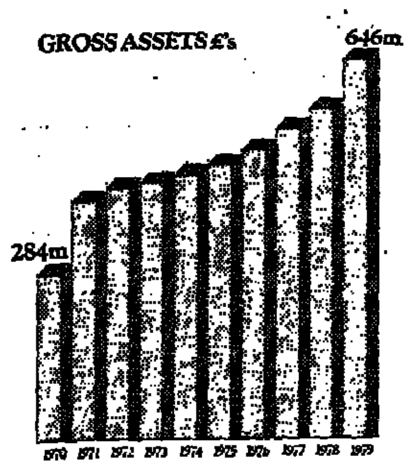



J. M. F. Padovan
Chief Executive

J. A. S. L. Leighton-Boyce
Chairman

C. N. Villiers
Deputy Chief Executive




## Highlights for 1979

* Further profits advance to £7.2 million.
* Record corporate advisory activity—in issues, mergers and acquisitions.
* Currency and sterling advances up 18% to £297 million.
* Responsibility for investment funds of over £1.4 billion.
* Management and co-management of 13 eurobond issues with a value of over $750 million equivalent.
* Representative office opened in New York.

"We can be confident that the strength of the Bank, which has been steadily developed in the past ten years, will enable us to take full advantage of our consistently expanding connections in commerce and industry, both in the United Kingdom and overseas."

John Leighton-Boyce, Chairman

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# Big Malaysian tin mine poised to start

BY KENNETH MARSTON, MINING EDITOR

AFTER DELAYS of five years, the biggest single new tin dredging project that Malaysia has seen is likely to get the go-ahead within the next few weeks, report Philip Bowring and Wong Sulong from Kuala Lumpur.

They understand that agreement has at last been reached between Malaysia Mining Corporation and the Selangor State Government's Kumpulan Perangsang to develop the big and deep alluvial tin deposit at Kuala Langat in Selangor.

The discovery of the tin deposit was made several years ago by London's Charter Consolidated and Tronoh Mines. Charter will continue to have an interest in the dredging project through its 28 per cent stake in MMC.

Draft agreement was reached recently after both parties, and especially the State Government, had come under strong pressure from the Prime Minister's department to stop squabbling and get the project moving.

However, final State approval is still awaited and other parties are holding their breath in the hope that political or financial interests within the State Government will not throw another spanner into the works.

The project first got the State Government go-ahead in 1975 on the basis of Charter having 45 per cent and the State Government 55 per cent. But that fell through following the arrest of the Chief Minister Datuk Harun Idris for corruption.

Since then, many different formulas involving the State, MMC and Charter have been discussed without success, largely because of the aggressive "States rights" stance of Selangor

The outline agreement now reached is understood to give the State 65 per cent and MMC 35 per cent, leaving Charter with an effective indirect interest in Kuala Langat of 9.8 per cent. Charter's expenditure to date on the project, believed to be about $M3m (£612,000) will be reimbursed.

Although MMC will only have a minority stake, it is understood that the formula provides for it to have veto power at board level. MMC will be primarily responsible for guaranteeing the loans needed to finance the project, which is expected to cost between $M150m and $M200m.

A detailed feasibility study has yet to be carried out but it is expected that the project will eventually involve three very large dredges. Kuala Langat is a large and rich deposit but is very deep—between 50 and 150 feet below the surface and affected by tidal flow.

Much of the deposit lies under the Brooklands palm oil estate owned by Plantation Holdings. The State Government has an agreement to buy the estate on a progressive basis as required for mining. But it is not yet clear at what price the land will be transferred to the Perangsang-MMC operating company which will mine Kuala Langat.

# Rustenburg Platinum boosts its interim

DESPITE the recent warning by the chairman, Sir Albert Robinson, of the need to "maintain a policy of modest dividend payments," South Africa's Rustenburg Platinum Holdings is boosting its interim dividend for the year to August 31 to 12.5 cents (7.1p) from only 5 cents a year ago when there was a subsequent final of 15 cents.

The latest payment comes out of earnings of R66.9m for the six months to February 29. Equal to 53.4 cents (30.2p) per share, they compare with R24.4m last time and a total of R78.7m for the year to August 31, 1979.

The main factor behind the latest rise in earnings has been Rustenburg's increased selling prices for platinum. Although well below free market levels (currently around $655 per troy ounce), the producer price was raised last year by $30 to $380 in August and subsequently to the current level of $420 in December.

At the same time, Rustenburg modestly increased sales of the metal and there was a marginal decline in its stocks. On the other side of the coin, capital spending during the past six months amounted to R34m and is expected to rise to R49m in the current half-year, some $30m of the total being earmarked for expansion.

Industrial demand for platinum has remained strong in the past six months, particularly in the U.S., but the important Japanese demand for platinum in jewellery has been hit by the high prices on the free market: although the metal is supplied to the Japanese jewellery market at the producer price, merchants there use the higher free market price as a basis for selling to their customers.

Rustenburg also suffered a sharp decline in demand from the U.S. automobile industry in line with a fall in car sales there. Revenue from sales of by-product metals increased substantially with the exception of nickel which was affected by a four-month strike at the Amax refinery in the U.S.

The main boost to free market platinum prices has been, of course, the speculative and currency hedging demand which recently lifted them to over $1,000. Mr. Ian Greig, chairman of Impala Platinum, has warned that when sentiment changes this could result in metal being dumped on a falling market.

To some degree this has already happened and whether the free market price will fall much further from its present $655 level remains to be seen. At all events a reduction in the producer price seems unlikely and an increase still looks to be on the cards.

At the present producer price, Rustenburg should enjoy a further rise in earnings in the second half. This does not necessarily mean, however, that the final dividend will also receive a major boost. The size of the payment will depend on the state of the market at the time, and may also reflect the chairman's previous cautionary remarks. Prior to the latest results Rustenburg shares were 8p down at 220p yesterday.

# Bambers on target with 47% increase to more than £4m

DESPITE HIGH VAT and interest rates which have caused difficult trading conditions for retailers, Bambers Stores, the ladies' and children's wear group, has continued its pattern of growth. Both turnover and pre-tax profits for the 1979-80 year show an increase of 47 per cent over the previous year.

In line with the record result forecast at the interim stage, taxable surplus advanced from £2.79m to £4.07m for the year ended February 2, 1980, on turnover, excluding VAT, of £25.21m against £17.16m. First-half profits had risen from £0.64m to £1.06m.

The directors say that growth is continuing and during the coming year the company is expected to open its 200th branch.

The dividend for the year is effectively hoisted by 81 per cent to 2p (1.1089p) net, with a final of 1.15p. Stated earnings per 10p share improved 43 per cent from an adjusted 9.64p to 13.76p. A one-for-two scrip issue is also proposed.

Trading profits climbed from £3.32m to £5.82m, before substantial increases in bank charges and interest, from £151,000 to £947,000, and depreciation, from £375,000 to £801,000.

Tax took £770,000 (£497,000) and dividends accounted for £479,000 (£263,000) leaving retained profits up from £2.03m to £2.82m.

## ● comment

At first glance, Bambers' 47 per cent pre-tax advance has comfortably outpaced the retail trend. But after stripping out a £751,000 contribution from property disposal profits, the actual increase is 18.9 per cent and if earnings from some of the group's recently opened outlets are subtracted, organic growth is even lower. The group did experience a 10 per cent rise in sales volume last year and is moving ahead with its plan to open as many as thirty new shops this year to bring total clothing outlets to 200. Bambers has the advantage of a rather self-contained production-and-sales system in that it makes about 70 per cent of its garments which provides a useful lever for price control if retail spending continues to slump. The total net dividend has been put up 81 per cent, is covered nearly seven times and yields 3 per cent at 94p, down 3p. The earnings multiple comes to 6.7 after that published rate of tax.

# Brent Chemicals calls for £3.8m after record year

RECORD RESULTS for 1979 and a rights issue to raise some £3.8m are announced by Brent Chemicals International, the specialised industrial chemicals group.

It is proposed to offer 12.71m new ordinary 10p shares at 30p per share on the basis of one new share for each ordinary held. In view of the substantial discount on the current market value at which the new shares will be offered, the Board has decided that the issue should not be underwritten.

Following the first-half improvement to £1.45m (£1.25m), profits before tax for 1979 rose 14 per cent from £2.66m to £3.02m, on sales up 30 per cent to £28.66m. Earnings per 10p share increased 25 per cent from an adjusted 12.5p to 15.6p, while the net dividend total is lifted to 4.5p (adjusted 3.75p) with a final of 3.5p.

The directors say that while the year's results were satisfactory—the tenth successive annual increase—they fell appreciably below management's plans due almost entirely to continued UK strikes affecting several industries served by the group.

Explaining the reasons for the rights issue, they say that their expansion policy of strong organic growth supplemented by acquisitions has made and will continue to make increasing demands on the financial resources available to the group.

While substantial bank facilities are available to meet the demands in the foreseeable future, they believe that it is prudent to finance part of this requirement by raising new equity capital so that financial resources can be maintained at a level which gives the group flexibility to take advantage of opportunities.

During 1979, the group invested over £3m in new businesses and facilities, which was funded from available financial resources and the proceeds of £592,000 from the May, 1979, rights issue. Despite this sizeable investment programme, the ratio between total borrowings and shareholders' funds has remained reasonably constant.

Results for the first two months of 1980 were satisfactory, the directors add, but the impact of the steel strike on customers of the metal finishing side is affecting the group's March results. However, they expect that, given a return to normal trading conditions in the near future, satisfactory results will be achieved for the year.

In 1979, the group's own operations did not suffer directly from industrial action and in several UK industries, including automotive, increases in sales and market share were achieved despite a decline in available market volume.

## ● comment

Brent has come up with its fourth rights issue in three years on the back of another set of record figures. The buying and building of smaller companies has once again proved its worth. Earnings per share—a key indicator—are up ten points better than pre-tax profits where growth has been dented by sharply higher interest charges. Group indebtedness for March shows that tax bills have pushed borrowings up to £3.6m. Shareholders' funds stood at £7.253m, with goodwill booked in at £1.74m. Stripping out goodwill is not entirely fair to BCI, since it buys small labour-intensive companyies which have to come with personnel intact. BCI says the point of the cash is to fund further acquisitions — though nothing is imminent. North American aerospace must be an attractive prospect for expansion, probably within the year. For the current year, the group sees further growth even with a steel strike through the first half. The historic p/e on stated earnings is 14. Other companies might use the fancy multiple for paper acquisitions: but with a 65 per cent institutional shareholding, Brent has a ready cash tap despite the 3 per cent yield. Though it expects this issue should see it comfortably through the next few years.

# Dufay Bitumastic optimistic following 1979 downturn

FOLLOWING the decline from £375,000 to £208,000 at midway, Dufay Bitumastic finished 1979 with taxable profit down from £863,000 to £611,000.

The reduced final dividend of 1.48p (1.76p) makes 2.68p for the year compared with 2.35p last time.

Mr. C. Attwood, the chairman, says that although the steel strike is having some effect on demand for the company's products, strategic stocks have lessened the disruptive effect. Export orders are buoyant and the group is in a strong financial position to take advantage of any opportunity which presents itself for further expansion.

Printing ink and resin manufacture, which were least affected by last year's transport and engineering strikes, showed increases in profit of 46 per cent and 30 per cent and are continuing at these levels.

Turnover advanced slightly from £10.1m to £11.06m. The tax charge was £87,000 compared with £332,000, but interest accounted for £219,000 compared with £142,000.

The amount retained was £227,000 (£315,000). Earnings per 10p share were 4.7p (4.8p) and fully diluted 4.2p. The net asset value per share came to 47.2p.

Pre-tax profit at Dufay Titanine, one of the company's subsidiaries, fell back from £469,000 to £376,000 on sales ahead at £6.45m compared with £5.9m. The tax charge was £26,000 (£168,000).

No final dividend was declared.

## ● comment

With the smoke clearing after the "havoc" of the first half, Dufay Bitumastic has turned in a second-half performance exactly equal to 1978's at the trading profit level. For second half as a whole, pre-tax earnings are down 17.4 per cent on 1978. For the full year pre-tax margins are three points tighter at 5.5 per cent. The dividend is up, with a cover of 1.7 times on historic accounting. The hike here is difficult to justify on historic profits—but the balance sheet is strong, thanks to the 1978 rights issue. Borrowings are around £1m, down from 1978's £1.7m. Growth through acquisition would be welcomed by shareholders who subscribed for the rights issue expecting more than their money back in dividends. After all profits are less than double what they were in 1967, in money terms. The p/e stands at 7 on fully-diluted stated earnings, with a 13 per cent yield at 31p, up 1p.


Banco Union, C.A.

(A Venezuelan Corporation)

Acting through its Panama Branch

U.S. $35,000,000

NEGOTIABLE FLOATING RATE CERTIFICATES OF DEPOSIT

MATURITY DATE 26 SEPTEMBER 1982/1984

In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the six month Interest Period from March 26 1980 to September 26 1980 the Certificates will carry an Interest Rate of 19½% per annum.

Agent

FIRST CHICAGO LIMITED



M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

| 1979-80 High | Low | Company | Price | Change | Gross Div (p) | Yield % | P/E |
|---|---|---|---|---|---|---|---|
| 99 | 67 | Airsprung | 67 | −1 | 6.7 | 10.0 | 4.0† |
| 50 | 31 | Armitage and Rhodes | 31 | — | 3.8 | 12.3 | 2.0† |
| 248 | 185 | Bardon Hill | 248 | +2 | 13.6 | 5.6 | 7.3† |
| 100 | 82 | County Cars 10.7% Pf. | 82 | — | 15.3 | 18.7 | — |
| 101 | 63 | Deborah Ord. | 95 | +1 | 5.0 | 5.3 | 10.4 |
| 103 | 88 | Frank Horsell | 103 | — | 7.9 | 7.7 | 6.4 |
| 129 | 98 | Frederick Parker | 99 | +1 | 12.8 | 12.9 | 4.5† |
| 156 | 102 | George Blair | 105 | — | 16.5 | 15.7 | —† |
| 70 | 45 | Jackson Group | 70 | — | 5.2 | 7.4 | 4.1† |
| 153 | 113 | James Burrough | 116 | — | 7.2 | 8.2 | 10.2 |
| 300 | 242 | Robert Jenkins | 255 | — | 31.3 | 12.3 | 8.1† |
| 232 | 175 | Torday | 216 | −1 | 14.3 | 6.6 | 5.6† |
| 34 | 16 | Twinlock Ord. | 16 | — | 0.8 | 5.2 | 3.0† |
| 80 | 70 | Twinlock 12% ULS | 76 | — | 12.0 | 15.8 | — |
| 56 | 23 | Unilock Holdings | 45 | — | 2.6 | 5.8 | 9.6 |
| 93 | 42 | Walter Alexander | 93 | — | 4.4 | 4.7 | 6.2 |
| 190 | 136 | W. S. Yeates | 182 | — | 11.5 | 6.3 | 7.1 |

† Accounts prepared under provisions of SSAP 15.


# Spirax picks up pace to end with record £6.62m

ACCELERATING IN the second half, pre-tax profits of Spirax-Sarco Engineering, the international specialist in fluid control equipment, finished 1979 some £0.71m higher at a record £6.62m, and Mr. A. C. Brown, chairman, forecasts further growth for the current year.

At halfway the profit increase was £245,000 at £2.92m and the second six months gained £460,000 at £3.71m.

Describing the year's result as a highly satisfactory achievement, Mr. Brown says it demonstrates the group has continued to grow and has maintained margins — the 12 per cent advance in profits being achieved on sales 11 per cent better at £38.48m.

Sales represent a continued advance in real volume worldwide. In addition to a UK improvement, net of price rises, overseas turnover was also significantly greater in real terms but has been converted to sterling against a pound which strengthened considerably during the year.

Higher tax of £2.7m (£1.74m) had the effect of reducing net profits from £4.18m to £3.92m and earnings per 25p share from 20.3p to 19p. Costing £1.29m (£1m), the net total dividend is raised from 4.9993p to 6.5p with a final payment of 4p. A one-for-two scrip issue is also proposed.

The taxable profit was struck after interest of £597,000 (£456,000). Below the line minority losses took £143,000 (£130,000) and extraordinary debits £991,000 (£93,000).

Net borrowing at the end of 1979 totalled £2.47m (£2.97m) and capital expenditure on fixed assets during the year amounted to £2.82m (£3.23m).

The group has pressed ahead with its plans, including the founding of a company in Finland. "Our excellent results are at least partly due to our policy, pursued over the last decade, of having our own direct presence in overseas markets," says Mr. Brown.

## ● comment

The 24 per cent improvement in overseas trading profits at Spirax-Sarco last year would have been considerably greater had it not been for adverse parity movements. The underlying momentum was sufficient to lift overall pre-tax profits by 12 per cent all the same and the contribution from non-UK activities is set to rise again in 1980 as the Korean factory is equipped and the new Argentinian plant works up to full production. Domestic growth of 8 per cent has been achieved against a very unsettled industrial relations background but, at least, steel stocks are still adequate and interest costs should be containable this year. There is no obvious reason therefore why the market should re-think Sarco's premium status; gearing is down to 11.5 per cent (against 14.6 per cent) and, in any case, capital spending has already gone through a peak. The shares corrected an earlier 4p fall to finish unchanged at 178p yesterday where the dividend yields 5.3 per cent and the historic fully taxed p/e is 10.9. Low replacement depreciation costs have usually meant that the current cost adjustment is less severe than for much of the rest of manufacturing industry and for this reason alone the shares remain a firm hold.


# Reckitt & Colman 1979

## Unaudited Preliminary Results

| | |
|---|---|
| Sales | £659.08m |
| Profit before tax | £51.01m |
| Earnings per share | 22.55 p |

Comments on Results. In common with most international manufacturing companies, Reckitt & Colman has experienced a difficult trading year and has had problems particular to itself. These problems are being dealt with in a vigorous manner.

It is encouraging that, with the exception of North America and Brazil and of exports from the U.K., the group's performance around the world has generally been of a high order and is not adequately reflected by the figures as they appear in sterling, due to the strength of that currency.

During 1979, the group spent £47.8m on capital projects and acquisitions, designed to preserve and further develop the geographical and product spread of Reckitt & Colman.

The U.K. trading divisions were hit by the transport drivers' strike at the beginning of the year but recovered and made excellent progress in the second half of the year.

In Europe, while sales increased satisfactorily, profit before tax was similar to that of 1978.

The really significant drop in profit was in North America but in the second half of 1979, improvement occurred there. Trading difficulties have, however, continued in certain activities in North America and it has been decided to close some of these. Provision has been made in extraordinary items in the 1979 accounts for the related closure costs.

Trading for Reckitt & Colman Australia began slowly in the first half-year, but gained momentum as the year progressed, ending up on a strong note. In local currency terms, sales increased by 14.2%, pre-tax profit by 13.0% and earnings by 16.3%.

Against a fairly depressed economic background, Reckitt & Colman in New Zealand again performed very strongly.

In Latin America the Brazilian companies were adversely affected by strong inflation. In Argentina the company substantially increased its sales and preserved profit margins. Trading in Venezuela was difficult while in Chile, Colombia, Mexico and Peru the businesses performed well.

In most parts of Africa trading proved difficult due to continued restrictions on imports and the strength of sterling coupled with the weakness of local currencies. Despite these problems, the business in South Africa made satisfactory progress.

| | 1979 £ million | 1978 £ million |
|---|---|---|
| Sales to customers | 659.08 | 606.64 |
| Trading profit | 59.54 | 66.07 |
| Interest payable less other income | 8.53 | 4.77 |
| Profit before Tax | 51.01 | 61.30 |
| Tax on profit (Note 1) | 19.78 | 23.46 |
| Profit after tax | 31.23 | 37.84 |
| Attributable to minority interests | 3.36 | 3.56 |
| | 27.87 | 34.28 |
| Preference dividends | 0.16 | 0.16 |
| Earnings attributable to ordinary shareholders | 27.71 | 34.12 |
| Exchange differences | 7.14 | 4.08 |
| | 20.57 | 30.04 |
| Extraordinary items (Note 2) | 5.22 | 1.70 |
| Profit attributable to ordinary shareholders | 15.35 | 28.34 |
| Ordinary dividends | 10.49 | 7.26 |
| Added to reserves | 4.86 | 21.08 |
| Earnings per share (Note 3) | 22.55p | 27.84p |

Note 1:
Tax, including deferred tax only in respect of liabilities which are expected to arise in the foreseeable future consists of:—

| | | |
|---|---|---|
| UK advance corporation tax | 4.56 | 3.66 |
| Other UK taxes, less relief for overseas tax | 0.51 | 1.11 |
| Overseas tax | 14.71 | 18.69 |
| | 19.78 | 23.46 |

Note 2:
Extraordinary items in 1979 consist of provisions for losses on closure of sites and businesses, less related tax relief of £3.09m.

Note 3:
Earnings per share are based upon the average shares in issue during 1978 and 1979 and on earnings attributable to ordinary shareholders as stated above.

Ordinary Dividends. A final dividend of 5p per share (1978 – 3.326 p) is recommended to be paid on 2nd July 1980. With the interim paid in January 1980 this would make a total of 8.5p (1978 – 5.926p).

Annual Report. Copies of the annual report will be posted to shareholders on 29th April 1980.

The Annual General Meeting. This will be held on Thursday 22nd May at 10.15 a.m. for 11 a.m. at The Connaught Rooms, 15 Great Queen Street, London WC2.

A presentation will be made at the meeting of the company's Latin American business.

Reckitt & Colman

P.O. Box 26, Burlington Lane, London W4 2RW

Principal product groups: food and wine, household and toiletry, pharmaceutical, industrial, leisure.



# ♦ Expamet'79

| | 1979 £000's | 1978 £000's |
|---|---|---|
| Turnover | 32,640 | 23,597 |
| Group Profit before Tax | 2,529 | 2,317 |
| Profit after Tax | 1,854 | 1,586 |
| Earnings per share | 8.64p | 7.72p |
| Dividend per share | 4.5p | 4.095375p |
| Net Assets per share | 83.32p | 90.85p |

## Extracts from Chairman's Statement

**1979 Results and Dividends** At £2,529,000 profit before taxation was 9% above the figure for 1978. At the post-tax level of £1,854,000 the increase was 17%, giving earnings per share of 8.64p on the modestly enlarged capital (1978 – 7.72p).

An interim dividend of 2p per share of the ordinary capital was paid on 9th November 1979. The Directors now recommend a final dividend of 2.5p, making a total for the year of 4.5p per share (1978 – 4.095375p per share).

**Trading** The results for 1979, which include the consolidation of the BAT companies from 14th February to 31st December, did not match up to the expectations held at the time of the Interim Statement. This was largely due to a reduction in demand for building products during the latter months of the year, with consequent pressure on margins. This bore especially heavily on the BAT companies, demand for whose products is closely geared to new housing starts. Estimates of these, which had been declining during the year, took a further sharp turn downwards following the autumn increase in mortgage rates and renewed pressure on local authority spending. The BAT contribution during the closing months of 1979 was further reduced by the costs of relocating into newly built premises BAT's important Dutch operations.

The principal favourable factors in the year on year comparison across the Group were further notable progress in the manufacture and sale of expanded metal into the industrial sector and a swing from loss to a reasonable profit by West Midland Steel Stockholders.

The charge against profits in respect of the recently established expanded metal businesses in the United States and Australia, and the development of products and processes in entirely new fields in the United Kingdom, varied little from the 1978 figure of some £½ million.

**New Developments** The expanded metal manufacturing business in the United States, which is wholly owned, is now equipped to produce all the main specifications. In a highly competitive environment it has secured a useful share of the market. For the past three months it has operated at break-even or marginally better, encouraging the belief that in 1980 it will for the first time be a contributor to profits at the pre-interest level.

The Australian operation is at a less advanced stage than the American. Additional equipment to enable it to offer all the main specifications is in process of shipment from the United Kingdom. This operation is owned jointly with Byrne & Davidson Industries Ltd. of Revesby, New South Wales. We are fortunate to have such able and energetic partners.

Explosafe is now past the development stage. The product has been proved to be effective but, by the nature of things, it may be another year or two before the current volume of enquiries is translated into a level of orders that would produce a profit.

Blevex is still at a relatively early stage of its development. During 1979, with the co-operation of Sigma Coatings B.V., part of the Petrofina international organisation, the effectiveness of the product in the prevention of explosions in liquid petroleum gas containers was established and exploratory work was done in the more general fire protection field. Effort is now being concentrated on the development of production processes, with a view to having a commercial product to introduce to the market during 1981.

**Outlook** The traditional businesses in the United Kingdom have made a strong start in 1980, aided by ample stocks of steel and possibly by an element of advance ordering by customers for steel based products. Looking to the second quarter and beyond, it seems inevitable that in Britain and many other areas of the world there will be a reduction in economic activity and a sharpening of competitive conditions. This is already happening in the home-based building industry.

Management effort is therefore being concentrated on achieving maximum cost effectiveness in the Group's established businesses, while bringing the newer developments as rapidly as practicable towards profitability. It is however likely that as the charge against profits of establishing the overseas manufacturing operations reduces, the costs associated with the development of Blevex will increase. It should nevertheless be possible for the Group to make some progress overall in 1980, but this must be dependent upon an early end to the steel strike and no major worsening in the already poor economic outlook.

The Expanded Metal Company Limited

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# BIDS AND DEALS

## Hawthorn Leslie in £1.5m cash acquisition

IN PURSUANCE of its policy of reinvesting the proceeds of nationalisation, R. and W. Hawthorn, Leslie and Co., investment holding company, is to purchase British Central Electrical Co. for £1.5m cash.

The acquisition, which is conditional on Hawthorn shareholders' approval, will be funded from existing liquid resources.

Total compensation for the nationalisation of the company's former subsidiary Hawthorn Leslie (Engineers) was £1.45m, including repayment of the balance of inter-company debt of £375,590.

BCE is a wholesaler and manufacturer of industrial electrical equipment based in Stanmore, Middlesex. For the year ended March 31, 1979 its turnover and pre-tax profits amounted to £6.4m and £320,000 respectively. Net tangible assets were £1.15m, before deducting deferred tax of £0.3m. Since March 31 the company has continued to trade satisfactorily.

### PARADYNE DROPS C.A.S.E. OFFER

Paradyne Corporation of the U.S. is not going ahead with its planned takeover of Computer and Systems Engineering (CASE), in which the National Enterprise Board has a 27.8 per cent stake.

The stumbling block to the share deal has been the sharp increase from $19.25 to $37 in the Paradyne stock price. The two companies announced yesterday that the virtual doubling of the stock price "has so changed the basis of the conditional agreement of last September . . . that the parties have been unable to negotiate final terms suitable to both sides."

CASE said yesterday that it was not planning any changes in the group's development. The company emphasised that Paradyne had approached CASE and the company was "certainly not looking for buyers."

The two companies have had trading links for about six years and it is intended to continue the arrangements for the distributoin of Paradyne products by CASE in the UK and Ireland.

### GEC DISPUTES BANKERS BILL

General Electric Company, which finally won its £98m bid battle for the Averys weighing machine company last November, is still negotiating with J. Henry Schroder Wagg over the target company's defence bill.

GEC, one of Britain's richest industrial companies, apparently regards the merchant bank's charge—well into the six-figure range—as being too high, though it has declined public comment on the issue.

It is normal that a successful bidder, as the new owner of a company, meets such outstanding liabilities such as merchant bank and lawyers' fees incurred during the takeover battle. GEC is known for its hard bargaining tactics and won Averys after a tough stand by the latter's board. GEC was advised by S. G. Warburg and Averys by Schroder Wagg.

## Bridon to sell Haggie interests for £32m

BRIDON, the steel wire and wire rope company, plans to sell all of its interests in Haggie, its South African associate, to Scaw Metals, (part of Anglo American Industrial Corporation) and Union Corporation for R57m (£32m).

Haggie's profit before tax for the year to December 31, 1979, was R28.1m, and the dividends for 1979 in respect of Bridon's 38.8 per cent holding were approximately R2.45m net of South African tax. Consolidated net tangible assets of Haggie were R70.2m.

Bridons' said that although its investment in Haggie had been extremely successful, the income received had been small in relation to its total value. Bridon believes that there are many opportunities world-wide for more profitable use of the funds.

The proposed sale has the agreement and full support of the board of Haggie. Bridon and Haggie will continue to co-operate in their specialist common field of activity on the basis of a technical and operating agreement.

It is anticipated that the sale agreement will be completed by June 30, and further details will be circulated to Bridon shareholders.

## Viking Oil shares suspended

Viking Oil, the North Sea exploration group which has already received two firm bids and proposals for a third, asked for its shares to be suspended yesterday on the Stock Exchange.

The 10.30 a.m. suspension price of £10¾ showed no change in the hour since the market opened but there had been a £¾ movement on Monday.

To date Hunt International Petroleum (UK), a Delaware company, has indicated that it would be prepared to pay the highest price for Viking whose greatest potential is its holdings in Quadrant 16 in the North Sea.

Hunt is proposing to pay 450p per share for Viking, in addition to a royalty stock. This compares with the firm offer of 400p plus a royalty stock from Sun Oil, the U.S. major, and the 300p plus stock original offer from Deminex, the German oil company which began the bid battle.

Sun claims to have irrevocable acceptances for its offer from a group of institutions representing 30 per cent of Viking's equity.

A spokesman for British Linen Bank, Viking's advisers, said that an announcement explaining the suspension could be made today.

## Drilling Tools talks to third party

HAMBROS BANK and the National Coal Board Pension Funds may face opposition in their attempt to take over Drilling Tools North Sea, the unquoted drilling equipment rental group floated by stockbroker Hedderwick Stirling in 1973.

Mr. Charles Noble, chairman of Drilling Tools and a director of Hedderwick, yesterday advised shareholders to take no action over the Hambros/NCB offer as talks were "fairly far advanced" with a third party.

Hambros and the Coal Board are at an advantage, however, in that they have already acquired 35 per cent of the equity, which is the stake held by Drilling Tools Inc, the Texas company which provided the original management for the North Sea company. The Texas company has since been bought by Petrolane, a major U.S. oil sector service group.

According to Mr. Noble's statement, Petrolane appears to have sold the stake without conferring with the rest of the board of the North Sea company.

Mr. Noble also said that Drilling Tools North Sea had been paying dividends since 1976 and in November the net interim dividend was doubled from 4p to 8p. Earnings last year were said to be 50p per share and the company had £750,000 of cash and liquid assets.

The company's shares are occasionally traded under Rule 163(2) on the stock market. The last price marked was £4.25. Hambros and the Coal Board funds, which are making their offer through Dawsea, a new company, are offering £6.10 for each "B" share.

The "B" shares account for 65 per cent of the equity and were issued in 1973 at £3.50. Dawsea is also inviting "B" shareholders to accept new shares in Dawsea in lieu of cash to a maximum of 25 per cent of Dawsea's equity.

### HILL SAMUEL

Credit Commercial de France has acquired an 80 per cent partnership interest in Hill Samuel and Co., Frankfurt, following an agreement in principle reached on January 15.

The name of the bank has been changed to Credit Commercial de France and Co.

## U.S. court stops Grand Met from buying more of Liggett

Liggett Group of the U.S. has taken to the courts to ward off any further purchases of its shares by Grand Metropolitan, the UK hotel, drinks and leisure company which is eager to expand into America.

The North Carolina Superior Court yesterday issued a temporary restraining order prohibiting Grand Metropolitan, which owns 9.5 per cent of Liggett's shares, from buying any more.

Liggett said that the order was issued in a lawsuit brought under the state's Tender Offer Disclosure Act.

It is effective for ten days and follows the U.S. group's strong reaction on Monday to the news that Grand Metropolitan had lifted its stake to the present level.

Grand Metropolitan's finance director, Mr. Clifford Smith, said last night that the group was not disconcerted by Liggett's hostile response, regarding such language as part of the American corporate scene.

As for Grand Metropolitan's future intentions towards Liggett, "there is a whole range of possibilities—I can't say what is practical or possible." At the moment, the company is not engaged in any talks with Liggett, he added.

"We still want to develop our presence in the U.S.," he said. The UK group currently has between 15 and 20 per cent of its assets outside Britain, mostly in Europe and former Commonwealth countries. The areas it is interested in fall within its main activities such as foods, drinks and restaurants, he said.

### I.C. GAS AND COMPAIR

Following its offer for Compair. Imperial Continental Gas Association has received acceptances in respect of 47,450,992 new ordinary shares and the same number of deferred shares.

These, together with the 5,473,500 new ordinary and deferred shares which IC Gas has acquired or agreed to acquire during the period of the offer, and 300,000 shares of each class already assented, represent 95.7 per cent of Compair capital in issue, or 87.5 per cent assuming full conversion of the 8½ per cent U.S. dollar convertible bonds and the exercise of outstanding options.

The offer remains open.

### PROPERTY AND REVERSIONARY/ MARLBOROUGH PROP.

Property and Reversionary Investment Corporation and Marlborough Property Holdings have emerged as the successful bidders for the 17-acre GKN/Rockwell site at Frimley, Surrey.

The bid was in excess of £4¾m and the two companies will operate through a joint company, Albany Commercial and Industrial Developments, to develop a new £12m trading estate.

ACID is an existing subsidiary of P and R in which Marlborough will hold 49 per cent and P and R will retain 51 per cent.

Finance for the development of up to £4m has been arranged with Samuel Montagu and Co. and N. M. Rothschild and Sons but P and R will provide £2.5m towards the initial purchase.

Over 200,000 sq ft of new industrial/warehouse accommodation is planned and, in addition, an existing factory of some 74,000 sq ft will be refurbished. GKN-Lincoln will remain in a further existing unit of 46,000 sq ft on a leaseback.

The deal represents the first joint venture between P and R and Marlborough, and the development of the new site is planned over the next two years.

### EXTEL ACQUIRES PARTNERPLAN

Extel Advertising and Public Relations has acquired Partnerplan, an independent PR consultancy.

Partnerplan will operate as an independent division. Mr. David Wynne-Morgan, Partnerplan's managing director, will remain in charge and joins the Board of Extel Advertising and PR, part of the Extel group.

### SHARE STAKES

Louis C. Edwards and Sons (Manchester)—Gulliver Foods purchased in the market 10,000 shares at 57p on March 24 and as a result now holds a total of 3,337,433 shares (16.9 per cent).


This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the Public to subscribe for or purchase any Stock.

**IMPERIAL CONTINENTAL GAS ASSOCIATION**

(Registered in England—No. Z 50)

**Issue of up to £27,651,346 nominal of 8 per cent. Convertible Unsecured Loan Stock 1995/2000**

The Council of The Stock Exchange has granted permission for up to £27,651,346 nominal of 8 per cent. Convertible Unsecured Loan Stock 1995/2000 of the Company to be admitted to the Official List. The Stock is to be issued, fully paid, as part consideration for the acquisition of the share capital and the cancellation of the 8½ per cent. Convertible Bonds Due 1987 of CompAir Limited.

Particulars of the Stock are available in the statistical service of Extel Statistical Services Limited and copies may also be obtained during normal business hours (Saturdays excepted) for the next fourteen days from:—

S. G. Warburg & Co. Ltd., 30, Gresham Street, London, EC2P 2EB

Lazard Brothers & Co., Limited, 21, Moorfields, London, EC2P 2HT

or from

Grieveson, Grant and Co., Barrington House, 59, Gresham Street, London, EC2P 2DS


## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 17 % | ■ Guinness Mahon | 17 % |
| Allied Irish Bank | 17 % | ■ Hambros Bank | 17 % |
| Amro Bank | 17 % | ■ Hill Samuel | §17 % |
| American Express Bk. | 17 % | C. Hoare & Co. | †17 % |
| Henry Ansbacher | 17 % | Hongkong & Shanghai | 17 % |
| A P Bank Ltd. | 17 % | Industrial Bk. of Scot. | 17½% |
| ■ Arbuthnot Latham | 17 % | Keyser Ullmann | 17 % |
| Associates Cap. Corp. | 17 % | Knowsley & Co. Ltd. | 18½% |
| Banco de Bilbao | 17 % | Langris Trust Ltd. | 17 % |
| Bank of Credit & Cmce. | 17 % | Lloyds Bank | 17 % |
| Bank of Cyprus | 17 % | Edward Manson & Co. | 18 % |
| Bank of N.S.W. | 17 % | Midland Bank | 17 % |
| Banque Belge Ltd. | 17 % | ■ Samuel Montagu | 17 % |
| Banque du Rhone et de la Tamise S.A. | 17½% | ■ Morgan Grenfell | 17 % |
| Barclays Bank | 17 % | National Westminster | 17 % |
| Bremar Holdings Ltd. | 18 % | Norwich General Trust | 17 % |
| Brit. Bank of Mid. East | 17 % | P. S. Refson & Co. | 17 % |
| Brown Shipley | 17 % | Rossminster | 17 % |
| Canada Perm't Trust | 18 % | Ryl. Bk. Canada (Ldn.) | 17 % |
| Cayzer Ltd. | 17 % | Schlesinger Limited | 17 % |
| Cedar Holdings | 17 % | E. S. Schwab | 17 % |
| ■ Charterhouse Japhet | 17 % | Security Trust Co. Ltd. | 18 % |
| Choulartons | 17 % | Standard Chartered | 17 % |
| C. E. Coates | 17 % | Trade Dev. Bank | 17 % |
| Consolidated Credits | 17 % | Trustee Savings Bank | 17 % |
| Co-operative Bank | *17 % | Twentieth Century Bk. | 17 % |
| Corinthian Secs. | 17 % | United Bank of Kuwait | 17 % |
| The Cyprus Popular Bk. | 17 % | Whiteaway Laidlaw | 17½% |
| Duncan Lawrie | 17 % | Williams & Glyn's | 17 % |
| Eagil Trust | 17 % | Wintrust Secs. Ltd. | 17 % |
| E. T. Trust Limited | 17 % | Yorkshire Bank | 17 % |
| First Nat. Fin. Corp. | 18½% | | |
| First Nat. Secs. Ltd. | 18 % | | |
| Robert Fraser | 18 % | | |
| ■ Antony Gibbs | 17 % | | |
| Greyhound Guaranty | 17 % | | |
| Grindlays Bank | ‡17 % | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over 1,000 15%.
§ Demand deposits 15%.


**The Ashdown Investment Trust Limited**

**Managed by J. Henry Schroder Wagg & Co. Limited**

The Annual General Meeting was held at 120 Cheapside, London EC2 on Tuesday, 25 March, 1980 at 3.00 p.m.

The following is a summary of the Report by the Directors for the year ended 30 November, 1979:

| | 1979 | 1978 | %Change |
|---|---|---|---|
| Total Revenue | £1,312,973 | £994,806 | +32.0% |
| Revenue after taxation and expenses | £ 736,222 | £471,218 | +56.2% |
| Earnings per Ordinary Share (see below) | 6.95p | 4.78p | +45.4% |
| Ordinary dividends for the year net per share | 6.60p | 4.60p | +43.5% |
| Net asset value per 25p Ordinary Share | 177.7p | 185.2p | −4.0% |

The earnings per ordinary share reflect non-recurring income from the Company's holdings in Shell Transport & Trading Limited and Unilever Limited as a result of the removal of dividend restraint, amounting to £112,049 net. As the Directors considered that the benefit of this income should be passed on directly to the shareholders at the earliest opportunity, a special interim dividend of 1.00p per share has been declared on the Ordinary Capital, absorbing £104,690, and is included in the dividends per share above.

Copies of the Report and Accounts are available from the Secretaries.
J. Henry Schroder Wagg & Co. Limited, 48 St. Martin's Lane, London WC2N 4EJ.



**A. & J. MUCKLOW GROUP LIMITED**

**INTERIM STATEMENT (Unaudited)**

| | Six Months to 31st December 1979 | Six Months to 31st December 1978 | Year to 30th June 1979 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Gross Rentals | 2,273 | 1,617 | 3,646 |
| Turnover from Trading Activities | 3,339 | 2,680 | 5,530 |
| Investment Income | 1,526 | 1,305 | 2,623 |
| Trading Profit | 182 | 132 | 542 |
| Pre-tax Profit | 1,708 | 1,437 | 3,165 |
| Taxation | 340 | 460 | 662 |
| Profit after Taxation | 1,368 | 977 | 2,503 |
| Earnings per share | 5.16p | 3.68p | 9.43p |
| Net dividend per share | 1.60p | 1.32p | 3.20p |

★ Rentals in first half up by 40%
★ Interim net dividend raised by 21%
★ Levels of demand continue firm

"I consider that the second half year will see further progress for the Group."

A. J. Mucklow, Chairman


# APPOINTMENTS

## Housing Corporation chairman

Mr. Hugh Cubitt, a director of National Westminster Bank, is to to take over as chairman of the HOUSING CORPORATION to succeed Sir Lou Sherman, whose term of office expires at the end of next month. Mr. Cubitt, a qualified chartered surveyor, is at present chairman of the Outer London Regional Board. He is a former Lord Mayor of Westminster and was leader of Westminster City Council between 1972-76. The Housing Corporation was established in 1964 to regulate and administer the voluntary housing association movement.

★

Sir Campbell Fraser has been appointed an external director and Mr. E. J. Worlidge, an executive director of BAT INDUSTRIES from April 1. Sir Campbell is chairman of Dunlop Holdings and Mr. Worlidge is a director of Wiggins Teape Group, a subsidiary of BAT Industries, and chief executive of Wiggins Teape's international operations.

★

Mr. Timothy J. A. Colman has joined the Board of WHITBREAD AND CO., as a non-executive director. Mr. Colman is chairman of Eastern Counties Newspapers Group and a non-executive director of Reckitt and Colman.

★

CITY NATIONAL BANK OF DETROIT is to close its London branch from March 31. Mr. Carl M. Fredericks, vice president and manager, will be returning to the Bank's Detroit head office to take up duties in the international division. Mr. Fredericks will be responsible for all international related business development and credit activities in Europe and North America.

★

M. Mustapha Faris, former Moroccan Finance Minister, has been appointed vice-chairman of BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (BAII), the Paris-based bank jointly owned by Arab interests and by a group of European banks. M. Faris also joins the Board of the BAII group's holding company, COMPAGNIE ARABE ET INTERNATIONALE D'INVESTISSEMENT (CAII).

★

Pointon York has formed a subsidiary called POINTON YORK SCLATER for Edinburgh and Glasgow with Mr. Wally Huggins as chairman; Mr. Nigel Sclater, managing director; and Mr. Geoffrey Pointon, a director.

★

Mr. Dennis McDonald has been appointed a director and chief operating officer of STANLEY GIBBONS INTERNATIONAL and he also becomes a corporate executive member of the parent concern Letraset International. Mr. McDonald joins Stanley Gibbons from McKinsey and Company.

★

Mr. Peter Oliver, general manager of packaging specialists JAXPAL (MIDLANDS), of Willenhall, has been appointed a director.

★

Mr. David Legg, a director of COUNTY BANK since 1972, is to become head of the finance division in place of Mr. Gerald Smith, a director, who will be leaving the Bank at the end of this month to devote more time to his personal interests. At the same time Mr. Brian Carte, a director, will become head of the newly-formed banking division.

★

Mr. B. G. Frost, who is nearing retirement, is to relinquish the position of managing director of TETLEY WALKER later this year and will become vice chairman with executive responsibility for the development of free trade business. Mr. T. D. M. Hart, at present managing director of Lorimers' Breweries, has joined the Board of Tetley Walker and will take over as managing director of that concern. Mr. Frost will remain a director of Allied Breweries (UK) and continue to act as chairman of Ind Coope (Isle of Man).

★

The Prime Minister has appointed Mr. Einion Holland (chief general manager of the Pearl Assurance Company) and Mr. George Russell (a director of Alcan Aluminium (UK)) as additional independent members of the CIVIL SERVICE PAY RESEARCH UNIT BOARD. The new appointments are not linked with any proposals for new work for the Board, but to assist in its existing functions.

★

Mr. E. A. Keable has been appointed to the Board of the food distribution division of BOOKER McCONNELL. He is managing director of Booker Belmont Wholesale Delivered Trade.

★

Mr. T. R. Newman has been appointed to the newly-created position of sales and marketing director of REDMAN FISHER ENGINEERING, a member of the Redman Heenan International group.

★

Mr. P. E. W. Day and Mr. E. Winder are to become assistant directors of C. E. HEATH AND COMPANY (INTERNATIONAL) on April 1.

★

Mr. R. F. Bullock, previously financial director, has been appointed managing director of TEMPCO SEVERNSIDE, of Bristol, in place of Mr. H. T. Flavelle, who has resigned.

★

Mr. Robin Nichols, assistant general manager of Greenwich Building Society, has been elected chairman of the METROPOLITAN ASSOCIATION OF BUILDING SOCIETIES.

★

Mr. Ralph Oakes has been appointed managing director of ARROWTIP NORTHERN, Manchester.


**Fairview Estates Limited**

INTERIM STATEMENT
6 MONTHS ENDED 31ST DECEMBER 1979

| Unaudited Results | 6 Months to 31 Dec 79 | 6 Months to 31 Dec 78 |
|---|---|---|
| | £000 | £000 |
| Turnover | 15,402 | 12,219 |
| PROFIT BEFORE TAXATION | 4,801 | 2,338 |
| Taxation | (360) | (234) |
| Profit After Taxation | 4,441 | 2,104 |
| Interim Dividend | 355 | 296 |
| Net Amount per share | 3.3p | 2.75p |
| EARNINGS PER SHARE | 41.3p | 19.6p |

A profit for the six months to the 31st December 1979 of £4.801m was earned. No industrial property was sold during this period. One housing site sale took place but this did not contribute significantly to the profits.

An interim dividend of 3.3p net will be paid on the 9th May to Shareholders registered on the 24th April 1980, an increase of 20%. The Company's contracted Rent Roll now stands at £2.870m. This does not include several rent reviews upon which the due date has passed but the revised rentals are still to be agreed. When agreement is reached the contracted Rent Roll will be well over £3m.

The Company has several substantial lettings under negotiation and is making good progress with the development programme of sites in hand. The outlook in this division is most satisfactory with strictly controlled exposure, essential in today's uncertain climate. House sales during the six months to December 1979 were buoyant with improved margins maintained. However, as anticipated, the market is now more difficult with increased building costs again eroding profit margins to a degree.

The borrowing level is currently being reduced and the Company's Balance Sheet will be stronger still at the year end, 30th June 1980. Shareholders should be aware that the present high level of profit represents part of the stated policy to quickly reduce housing land stocks, generate cash to reduce borrowing and thus enable further progress to be made in the transition from pure house-builder to property investment/development company. It is not intended to maintain this rate of earning growth, bearing in mind the resolve to reduce the Company's present level of housing activities.

D. J. COPE, Chairman
25th March 1980.

Creating places to work-places to live
Fairview



**J. & H. B. JACKSON LIMITED**

**PROFITS AGAIN A RECORD**

Highlights from the Statement by the Chairman, Mr. P. J. White.

Trading profit for the year ended 30th September, 1979 was £2,771,320 (£2,318,532) and profit on sales of quoted investments £272,660 (£489,100), subject only to interest on the 7¼% Loan Stock of £25,162 (£28,887) and Corporation Tax of £482,454 (£816,910).

The Directors recommend a total dividend for the year per ordinary share net of 1.4p (1.013375p).

FORGING
This division more than made up for its set back last year by producing record profits which were due to a considerable increase in the demand for forgings by the aircraft industry. This trend has continued during the current year and I shall be disappointed if a similar increase in profits is not obtained this year.

MERCHANTING & DISTRIBUTION
We have shown steady growth for the past five years but, with the steel strike affecting the deliveries of iron and steel scrap and the probability of the demand for cars by the private buyer declining as the year progresses, we shall be fortunate to maintain last year's record figures.

The engineers tools and distribution side is holding up well and we are at the point of purchasing another small company in this field.

ENGINEERING
We were considerably affected during the last two months of our financial year by the engineering strike, resulting in a slight downturn in profits from the record of the previous year.

Our investment programme in C.N.C. machines is continuing and by the end of the year should total approximately £½ million. Although the current year will not show the full benefit of this investment I expect this division to hold its own despite the probable lower level of activity in engineering generally.

OUTLOOK
The first four months trading figures for the group are showing an advance on last year and subject to the usual qualifications regarding industrial disputes I am reasonably optimistic.

# INTERNATIONAL COMPANIES and FINANCE

NORTH AMERICAN NEWS

## First Penn bank chief denies merger

BY STEWART FLEMING IN NEW YORK

FIRST PENNSYLVANIA Corporation, the 21st largest U.S. bank with assets of $8.9bn, yesterday conceded that it has "some problems and that increased interest rates have an adverse effect

In an official statement authorised by the Board Mr. George A Butler, chairman and president of the bank "denied all rumours that the bank has had any discussions concerning the possible merger with any other institution either domestic or foreign."

The statement comes in the wake of concern in the financial markets about the impact on the company of rising interest rates, particularly the impact on its large bond portfolio amounting to $1bn of assets.

The value of these securities will have been adversely affected by rising interest rates. Mr. Butler pointed out that while First Pennsylvania has a large investment in the U.S. government securities, the portfolio is reducing each month as a result of maturities. During the next three months $100m of securities will mature.

He added that at December 31, 1979, the bank's capital exceeded $312m. The sale of the bank's finance company subsidiaries for $106.5m to Manufacturers Hanover is proceeding on schedule and he described recent examinations of the bank by the Comptroller of the Currency and the Federal Deposit Insurance Corporation as "routine."

## Higher interest costs hit Carter Hawley growth

BY OUR FINANCIAL STAFF

HIGHER INTEREST rates reduced net income for the year ended February 2 at Carter Hawley Hale Stores by 14 cents a share.

But the group turned in a 6 per cent rise in net income to $42.94m for the fourth quarter or $1.70 per share against $1.65. Sales also rose 6 per cent to $832.3m.

For the year net earnings advanced 8 per cent to $69.7m or from $2.67 per share, against $2.52. Sales were 13 per cent ahead at $2.41bn.

The company said that the Lifo method of accounting for inventories reduced the final quarter net by 8 cents a share compared with 2 cents the year before, and for the fiscal year by 20 cents a share compared with 11 cents a year ago.

## Jim Walter profits ahead

BY OUR FINANCIAL STAFF

AN INCREASE of 11 per cent in net income to $17.3m is reported by Jim Walter Corporation, manufacturer of building materials, for the second quarter ended February 29. Per share earnings were $1.00 against 90 cents for the same period last year.

Net income in the current quarter includes $2.46m or 15 cents per share from interest capitalised in accordance with FASB No. 34. Revenues rose by 15 per cent to $480m.

Over the six months period net income advanced to $49.64m, compared with $42.94m, or $2.86 per share against $2.47, and revenues rose to $980.0m against $894.4m for the first half last year.

The current six months includes an extraordinary credit of $9.5m on the sale of sugar business, net of taxes.

## Sharp fall at Corco

BY OUR FINANCIAL STAFF

COMMONWEALTH Oil Refining (Corco), of San Antonio, Texas, reports a sharp fall in earnings for the first two months of 1980, to $837,000, or 4 cents a share, from $4.5m, or 28 cents a share, in same period of 1979. Sales, however, were up, to $183m from $160.4m.

The company said that its plants produced less in the first two months of 1980 than a year earlier. This was the result of a fire in November which cut aromatics production capacity by 50 per cent, two closings for major maintenance work and the difficulty of obtaining crude oil at reasonable prices.

# How IBM skill brought down Itel

**David Lascelles** in New York and **John Moore** in London report on Itel's rise and fall and the consequences for Lloyd's

ANXIOUS EYES in both the U.S. and Europe are watching San Francisco this week as Itel, the U.S. computer leasing group riddled with more than $1bn in debts, tries to put together some kind of financial rescue package with its bankers. If it fails, then bankruptcy is a virtual certainty, with ramifications which extend well beyond the U.S. capital markets and into Europe, including Lloyd's of London which is owed substantial sums by Itel.

Even if it succeeds, the chances of Itel ever recovering its former glory as one of the most dazzling growth companies in the U.S. seem slim indeed. Today, Itel is a mere shadow of its former self, and the legacy of extravagant management will dog it for years.

Itel has already said that it will not be able to service most of its unsecured debt or make a scheduled payment to Lloyd's unless this week's talks are successful.

The dimension of the Itel problem is easily measured. Its total debt of $1.2bn compares with the $2bn or so owed by Chrysler, the other great corporate drama of the moment. But Itel is only 1-20th the size of Chrysler, and it has none of the political clout that the car maker has been able to muster *to ensure its survival.*

Itel was founded in 1967. But it really began to catch the public eye in the mid-1970s, when aggressive marketing techniques brought it a large share of the booming computer leasing business. Between 1974 and 1978, Itel more than quadrupled its sales from $143m to $690m. During this time it also branched out into other forms of leasing: railcars, marine vessels, even aircraft.

But computers were the core of the business. Using equipment that was compatible with IBM's, but cheaper, Itel was able to hang on to the electronics giant's coat-tails. In fact, things went so well that Itel linked up with National Semiconductor, a California computer maker, and Hitachi of Japan, to take a substantial part of their production.

The power behind this growth was a Mr. Peter Redfield, a dashing individual variously described as brilliant or a megalomaniac. He matched a penchant for lavish living with an unrelenting drive to make Itel bigger and richer. Many of his salesmen failed to keep pace, but those who did were rewarded with huge salaries and sumptuous company trips to exotic resorts.

But such is the nature of the leasing business that growth can only be achieved by heavy borrowing. By the end of 1978, Itel had already built up a huge debt of $804m. This included two Eurobond issues, $25m floated the previous March and $30m floated in October.

While a lot of this debt represented investment in saleable assets like computers, planes and ships, it made Itel highly vulnerable to changes in the market—which is exactly what happened.

By the end of 1978, it was clear that IBM was about to announce technology and price changes that would influence the market, though no one guessed how *drastically. In its 1978 10-K* filing with the SEC (Itel's last, as it turned out), Itel said: "future actions of IBM could adversely impact all computer related activities of Itel. . ."

In fact, IBM wrought such deep-rooted changes in the market with its 1979 models and prices that it rendered Itel's computer stock obsolete virtually overnight. The company suddenly found itself with equipment that was not only technologically inferior to IBM, but also more expensive.

That really was the beginning of the end. With its market falling away underneath it, Itel struggled on for a few more months (it even managed, incredibly, to put together a $40m Eurobond in April), but by May, its difficulties were common knowledge. In August it *announced a second quarter loss* of $60m, and had to seek out a huge bank loan. A large consortium of U.S. and European banks stumped up a total $566m.

By now drastic surgery was necessary. Bit by bit, Itel hacked off its loss-making limbs, selling its computer busines to National Semiconductor and various other computer service and data operations to a number of companies, including Xerox.

Mr. Redfield departed, and was succeeded by Mr. Thomas Tan who set about restructuring Itel round its still profitable transport leasing business. But there were obviously to be no quick cures. Itel lost $175m in the third quarter, and has published no financial statements since then.

This week's crunch was precipitated by the fact that the first instalments on Itel's $566m bank loan (which Itel says now stands at $500m) is due next Monday. And unless Itel can stretch this out, it will clearly not have the cash to service the rest of its debt, including about $45m due in the next three weeks alone.

Itel hopes to persuade its 100 or so bank and insurance company creditors to come up with a new credit standby, and then recapitalise all of its unsecured debt. It was impossible yesterday to establish what the creditors thought of this proposal since they were reluctant to comment on what they called a bank-client relationship.

However, Wall Street analysts believe that the outcome is touch and go. With interest rates at record highs, the burden of debt servicing must be crushing for a company with such a narrow asset base, and with the best will in the world it may be impossible to secure Itel's future.

The latest crisis at Itel has created another serious problem for underwriters in the Lloyd's of London insurance market. A working party of underwriters and insurers, headed by Mr. Murray Lawrence, was attempting to work out a commercial settlement with Itel which would offset $200m of claims which Itel was expected to make under its computer leasing insurances. For the moment these talks have come to a halt.

Any deal between insurers and Itel is conditional on whether Itel can arrange adequate refinancing from its Total computer leasing insurance losses are expected to produce the largest ever series of losses in Lloyd's history: $340m is Lloyd's official estimate, although unofficial estimates place the figure as high as $600m to $800m.

*In a startling underwriting* miscalulation 55 Lloyd's underwriting syndicates, and a number of insurance companies, offered insurances in the 1970s which protected leasing companies against the early termination of computer leases.

When new IBM models and cheaper leases became available in 1978, almost every customer gave notice of likely cancellation with a view to either changing equipment or renegotiating its lease.

Itel's insurances with Lloyd's represent about a quarter of the insured values of over $1bn.

Realising their exposure with Itel—and the possibility of complex legal action for enormous sums of money by Itel against Lloyd's underwriters in the event of non-settlement or delayed settlement of claims—Lloyd's has been trying to do a deal with the San Francisco leasing group.

Under the proposed deal, Lloyd's was to receive payment and assets from Itel estimated at $100m. In return, underwriters would ensure that existing claims would be met, but would have control over the re-marketing of computers traded in under the insured leases, and possible the run-off of existing insured leases.

Lloyd's hoped the Itel cash payment and assets would reduce the total claims of $200m from Itel.

But this has now been com*plicated by Itel's latest problem.* If Itel were to fail, Lloyd's underwriters might resist claims on the grounds that they did not offer insurance against bankruptcy.

## Noranda stake valued at $364m by Brascan

By Robert Gibbens in Montreal

BRASCAN, the big Toronto holding company which is controlled by the Peter and Edward Bronfman interests, says that its holding of shares in Noranda Mines has a market value of over C$430m (U.S.$364m) against a cost of C$294m (U.S.$249m) and that it is continuing "to examine the options" in its future involvement in Noranda.

The Bronfman interests, in partnership with the Patino mining family, won effective control of Brascan early last year. Brascan in turn had just received around C$400m in compensation from the Brazilian Government for the nationalisation of its remaining Brazilian utility.

The new management of Brascan then began buying into Noranda Mines, one of Canada's largest resources groups with worldwide interests. Since then, the market value of Noranda shares has increased sharply with higher world prices for many metals and commodities.

However, Noranda, with its associated companies, took avoiding action when the Brascan stake reached around 15 per cent, and when Brascan's management said that its target was 20 per cent or more and two boardroom seats. The effect of changes in Noranda's capitalisation was to dilute the Brascan holdings to around 12 per cent and to cement effective control of Noranda in that company's management group and associates.

Brascan says that it is still seeking representation on the Noranda Board and is working for the dismantling of Zinor Holdings, to which Noranda issued 14m of its treasury shares late last year. Zinor in turn is owned by associated and subsidiary companies of the Noranda group.

Brascan argues that this arrangement was contrary to the general interests of shareholders, and has claimed that it may have been illegal. Noranda has denied this emphatically.

Brascan also argues that Noranda has substantial assets which are not producing income. It values the Noranda investment in Canadian Hunter Explorations of Calgary at more than C$7 a share. Other mineral properties of Noranda coming into production shortly are worth more than that, "leaving C$5 a share to be reasonably attributed to Noranda's productive assets, based on the C$19 a share price at which Noranda sold the 14m shares from its treasury to Zinor," Brascan says.

The effective price of the shares to Zinor, after deducting the value of the non-productive assets, was less than the 1979 per-share earnings of Noranda, or C$4.70, says Brascan.

Canadian Hunter, which is financed by Noranda, is the discoverer of the Deep Basin *gas* fields on the northern Alberta-British Columbia border. Imperial Oil (Exxon) has participated in the development of Hunter lands, with a major commitment of more than C$100m.

Noranda and the Canadian Pacific group are the largest producers of base metals in Canada. Noranda is also a major producer of precious metals and industrial products such as wire and cable.

Since Noranda's blocking action, Brascan has stepped up its interests in mining and oil and gas. It still has major cash resources to deploy.

## C$76m bid for Norin

By Our Montreal Correspondent

CANADIAN PACIFIC INVESTMENTS had plans to buy all the common stock of Norin Corporation of Miami, Florida, for C$76m (US$64.4m). The principal business of Norin is the major Canadian food group *Maple Leaf Mills*, which is based in Toronto.

CPI is the leading non-rail holding company of the Canadian Pacific group.

Norin, which is controlled by the Norris family, had earnings of C$9.2m on sales of nearly C$600m in 1978. It acquired about 73 per cent of Maple Leaf in February, 1976, and disposed of insurance and mortgage banking operations. It bought the remaining Maple Leaf shares in 1977 and 1979.

## Phillips warns on earnings

By Our Financial Staff

**HIGHER EARNINGS are expected by Phillips Petroleum, although the U.S. oil company fears that profits of its petroleum products group will decline. Phillips also said in its annual report for 1979 that the total cost of the greater Ekofisk development in the North Sea is now $5.8bn, up from the $5.5bn estimate made in 1978.**

**Phillips made profits of $819m, or $5.77 a share last year, with the petroleum products group contributing just over $200m to the total. Lower returns are expected from this group in 1980 because crude oil costs are expected to rise faster than prices for refined oil.**

INTERNATIONAL BONDS

## Prices of Itel's issues tumble

BY FRANCIS GHILÈS

THE STATEMENT from the ailing US computer leasing company Itel was a major talking point in the Eurobond markets yesterday. Itel said on Monday that it would stop repaying about $230m of unsecured debt, including three Eurobond issues totalling $95m, until it had reached agreement on a financing package with its bankers.

Itel has three fixed interest Eurobond issues outstanding: a $25m 9½ per cent bond to 1988 which was launched in March, 1978, a $30m 9¾ per cent issue to 1990 launched in September 1978 and a $40m 10½ per cent issue to 1983 launched in April 1979. Interest on the first of these three issues i due on April 1, and is unlikely, in present circumstances, to be paid.

Monday's news did little to change the "best endeavour" basis on which the three issues have been quoted in recent months, except that Kidder Peabody, the lead manager of the three issues, revised its price quote downwards from 35-45 on Monday to 20-25 yesterday. At that level, the three issues yield 50.3, 46.9 and 96.9 per cent respectively.

Itel has to date fulfilled its obligations under purchase fund agreements attached to the three issues.

One point which is not resolved is whether non-payment of interest due on April 1 will trigger a cross default on the $40m issue, where interest is payable on May 1, and on the $30m issue, where interest is payable on October 1.

In secondary market trading, fixed interest dollar bonds closed ½ point down on the day.

Deutschemark foreign bonds posted slight gains yesterday, with some Frankfurt dealers saying that while selling pressure was still there, some real buying interest in bonds yielding around 10½ per cent had been in evidence. Deutsche Bank claimed that the DM 100m issue it has just completed for IBM and which yields 10 per cent found ready buyers.

## Brazil reaffirms loans pledge

BY NICHOLAS COLCHESTER

THE PROSPECT of Brazil achieving trade balance this year and thus keeping its foreign borrowing requirement under control was reaffirmed yesterday by Mr. Carlos Langoni, the recently appointed Governor of the Brazilian Central Bank. Mr. Langoni sought to confirm the optimistic picture painted last month by Brazil's Planning Minister, Professor Antonio Delfim Netto, when he spoke to bankers in London yesterday.

The projections for Brazil's external finances in 1980 were unchanged from those cited by Prof. Delfim. Exports and imports should balance at $20bn. Brazil would have an external borrowing requirement, after direct investment and official transfers, of some $12bn, of which $7bn would be refinancing of existing, maturing debt and $5bn fresh borrowing. A run-down of reserves — $10bn at the start of the year — could reduce the net requirement to $3.5bn, Mr. Langoni claimed.

*Mr. Langoni called this* scenario "realistic" in that the improvement in Brazil's agricultural output was up to expectations with a 30 per cent rise in the grain crop. Exports would benefit from this, coupled with last year's major devaluation of the cruzeiro. The import bill was being kept down by government control of public sector *purchasing.*

Asked whether the recent rapid rise in U.S. interest rates had had an impact on Brazilian *balance of payment projections*, Mr. Langoni played the matter down. He conceded that the Government had recently revised its estimate of annual interest payments overseas from $5.7bn to $6.3bn, but he claimed that this had been largely compensated for by the improved prospect for exports. He claimed that the increased *charges would also be off-set by* the planned $2bn run-down of reserves.

## Ford tops up bank credits

BY OUR NEW YORK STAFF

FORD, the second largest car manufacturer in the U.S., has set up an extra $1bn in bank credits to help it to finance development of its next generation of more fuel-efficient cars. This brings the total amount of finance at Ford's disposal to over $2bn, plus the $300m in notes which it will market shortly. These figures were disclosed in documents filed by Ford with the Securities and Exchange Commission.

Last week, Moody's Investors Service downgraded Ford's credit rating from Triple A to Double A because of uncertainties connected with the switch to small car production.


# UNION CORPORATION LIMITED

*(Incorporated in the Republic of South Africa)*

*The Chairman, Mr. E. Pavitt, reports*

It gives me great pleasure to be able to report the largest increase in profits ever achieved in the history of Union Corporation. Dividends totalling 62 cents per share and absorbing R38 million have been declared, compared with 47 cents in 1978.
The amount of R45.6 million has been retained to meet the rapidly rising costs of providing and replacing equipment and to provide the necessary funds to expand business activity.

GOLD
Income from gold increased by 82 per cent to R26.6 million. Our group mines earned revenue in excess of R500 million while after tax profits increased to R132 million. In addition to the immediate benefit of higher gold prices, several of our low grade mines will enjoy an extended operating period.
The wide fluctuations in the gold price and the continuing steep escalation of costs of capital items make it even more risky today to plan new mining operations or extensions. Until the gold market shows some stability, it cannot be prudent to anticipate a higher average gold price than $300/$350 in our forward planning.
Unisel Gold Mines took its place as a South African gold producer last year and I would like to congratulate and thank all those people who worked on the discovery, the planning and the development of this new mine.
Further south in the Orange Free State, preparation of a possible shaft site has commenced on ground held under option by Beatrix Mines. The final decision on whether a viable gold mine can be established will not be made until a feasibility study is completed in mid-1980.

URANIUM
With the events of the past year in the Middle East, the partial replacing of oil based energy is now becoming an urgent priority. I am confident therefore that in the long term nuclear power construction programmes will increase, with a corresponding rise in demand for uranium.
It is nearly two years since preliminary work on Beisa Mines commenced. The rate of progress has enabled us to improve on our original timetable and we believe that Beisa will be brought into production in 1981 – a year earlier than originally planned. A public offer of shares in Beisa is likely during 1980 or early in 1981.

PLATINUM
Hardly a year has passed between one Impala Platinum expansion programme and another. The current programme will take capacity to over one million ounces of platinum per annum.
The outstanding profit performance was most gratifying and notwithstanding the continuing high level of capital expenditure, Impala substantially increased its dividend payments.

INDUSTRIAL DIVISION
The 1979 results were more than satisfactory with excellent growth being recorded in most companies. Turnover increased by 29% to R1,046 million whilst earnings increased by 50% to an all time record of R81.6 million; R33.9 million of those earnings are attributable to the Corporation and represent 40% of the Group's total attributable income.

LABOUR
The basic principle underlying the recommendations of the Wiehahn Commission report is the removal of discrimination to enable better utilisation of human resources and the elimination of artificial shortages created by job reservation. The Government of South Africa has recognised the extent to which private enterprise can take a lead in providing increased employment opportunities. The combination of an accelerated economic growth and the entry of Blacks into the skilled ranks will reduce unemployment and improve the overall standard of living.

| | Income after tax Rands | Dividends per share Cents |
|---|---|---|
| 1979 | R83,679,000 | 62 |
| 1978 | R62,521,000 | 47 |
| 1977 | R37,747,000 | 38 |

GENERAL MINING MERGER
General Mining acquired a controlling interest in Union Corporation some five years ago. Since that time the two groups have worked well together and the results of their efforts speak for themselves. The merger, which has now been accepted by shareholders, is a natural progression, and the combined operation is not only the second largest mining and industrial finance house in South Africa but also ranks as a significant enterprise by world standards. Union Corporation will remain in existence as an operating subsidiary. However, the more rapid rate of growth which should flow from the combined strength in the new group will offer enhanced and challenging opportunities for our employees, on whose contribution and skills we rely. The achievements of the Union Corporation Group in the past are a clear reflection of the dedication of our management and employees and I would like to take this opportunity of thanking them.

*Copies of the Annual Report may be obtained from the London Secretaries. Union Corporation (U.K.) Ltd., 95 Gresham Street, London EC2V 7BS. (Quoting ref. U.C.).*



# FINANCIAL HIGHLIGHTS 1979

| 1979 in brief | (in Flux million) |
|---|---|
| Balance sheet total | 23,287 |
| Due from banks | 10,259 |
| Securities | 992 |
| Credit volume | 11,400 |
| Due to banks | 21,446 |
| Capital | 800 |

Badische Kommunale Landesbank International S.A., Luxembourg, recorded another year of growth in 1979, increasing the balance sheet total by 24.5% to Flux 23.3 billion (US $ 803 billion).

This growth resulted primarily from strengthened activities in the Eurocredit sector, with lendings rising by 36.2% to Flux 11.4 billion (US $ 393 million). This favorable development was reflected in the Bank's leading position in numerous international syndicates.

Deposits from banks, the most important refinancing source, grew to Flux 21.4 billion (US $ 740 million).

The Bank further strengthened its position in the money market.

Net profit increased by 18.2% to Flux 31 million (US $ 1.1 million). Capital and reserves now amount to some Flux 858 million (US $ 30 million).

For a copy of our Annual Report or more information about our Eurobanking activities, just contact us at: Badische Kommunale Landesbank International S.A. 9, Boulevard Roosevelt, P.O. Box 626, Luxembourg-Ville, Tel.: 475991-1, 475315 (dealers), Telex: 1791, 1792 (dealers), 1793 (credits).

BADISCHE KOMMUNALE LANDESBANK INTERNATIONAL S.A.


هكذا من الأصل

## French groups in further solar deal

By Terry Dodsworth in Paris

TWO OF France's large industrial groups, Thomson-CSF and Pechiney-Ugine-Kuhlmann, have signed a co-operation agreement for the development of photo-electric solar energy cells.

The deal, which follows a similar co-operation accord between CGE, the big electrical group, and Rhone-Poulenc, the chemicals company, foresees spending of FFr 15m ($3.4m) over the next three years. PUK is committed to injecting FFr 10m, and Thomson the rest.

Neither of the companies will be excluded from other joint contracts during the period of the agreement. This condition will allow Thomson to continue with its fabrication project for solar energy systems with Solar Power, the subsidiary of Exxon.

Both companies already have some technology to inject into their combined programme, PUK in the fabrication of silicum, and Thomson in the fabrication of photo-electric systems.

The Government has allowed for only a modest generation of solar electricity in its future energy plans. Nevertheless, the big companies are being pressed by the authorities to invest in this area because of its growth potential.

## Rights by Wagons-Lits

A rights issue to raise BFr 390m ($12.8m) is proposed by Cie Internationale des Wagons-Lits et du Tourisme, the travel to hotels group based in Belgium, writes Our Financial Staff. The funding is to be made on a one-for-three basis at BFr 750 a share. It will involve the issue of 519,493 new shares and will increase group capital by BFr 260m to BFr 1.04bn.

## Banque Rothschild raises earnings and dividend

BY DAVID WHITE IN PARIS

BANQUE ROTHSCHILD, the hub of the French Rothschild family's banking and industrial empire, fulfilled its forecast of a sharp rise in profits last year, with net earnings increasing to FFr 17.46m ($4m) from FFr 10.2m in 1978.

The bank, quoted on the Paris Bourse since last summer following a financial reorganisation, plans to raise its dividend to FFr 11.30 per share from FFr 10.50. M. David de Rothschild, managing Board chairman, had earlier promised shareholders a "modest rise."

In order to cover the dividend, totalling FF 22.99m, the bank is drawing on FFr 5.53m of reserves.

The Rothschild family's direct interests in Banque Rothschild were put at 23 per cent at the time of the reorganisation in late 1978, when the bank was merged with the group's holding company, Compagnie du Nord, and the latter's shareholders were offered shares in the bank.

Elsewhere in the French banking industry, Compagnie Bancaire, the specialised credit body in which a number of French banks have shareholdings, reports an 11 per cent increase in consolidated net profit to FFr 327m for 1979. This figure did not include an exceptional net gain of FFr 18m.

● Saint-Gobain-pont-a-Mousson, the major French industrial conglomerate, is to invest more than FFr 200m in building an extension to its existing glass fibre plant at Rouen, in north-western France. The move is necessary if the group is to benefit from the expansion of the market for heat insulation material used by the construction industry. The new plant will come on stream at the end of 1981.

## U.S. move by Bertelsmann

BY KEVIN DONE IN FRANKFURT

BERTELSMANN of West Germany, one of the world's largest media companies, is to start market trials in the U.S. next month wihch are expected to lead to the setting up of a nationwide book club business.

The German group has formed a joint venture with World Book-Childcraft International, a subsidiary of the U.S. direct-selling company, Scott and Fetzer.

If the market studies are positive it is understood that the two companies could face an investment of more than $50m to attract a nationwide membership.

Book and record clubs are already big business for Bertelsmann around the world, with clubs established in 23 countries. In the last financial year the book clubs division achieved total sales of DM 1.3bn ($691m) accounting for about a third of the Bertelsmann group's worldwide turnover of DM 3.9bn.

This is the first time that Bertelsmann has chosen what is essentially a door-to-door sales company as its partner in setting up a book club, but it expects particular difficulties in tackling the U.S. market. It has taken 51 per cent of the new company, with the remaining 49 per cent going to World Book.

World Book has been in further education books for more than 60 years and has as its main door-to-door selling line a 22-volume set of encyclopaedias.

Bertelsmann, which has run into Cartel Office problems in expanding further its media interests in West Germany, is undertaking a major expansion of its activities in the U.S.

In recent months it has taken over a record company and a printing concern and in 1977 it acquired 51 per cent of Bantam. It also owns the U.S. magazine, Parents, and last year launched a U.S. edition of its popular German magazine, Geo, which is seen as a rival to the long-established National Geographic.

## Norwegian shipbuilder ahead

BY FAY GJESTER IN OSLO

THE NORWEGIAN Kvaerner group, with activities spanning heavy engineering, ship and platform building, reports group operating results, before end-year allocations, of NKr 109.3m ($24.1m) in 1979, compared with NKr 81m in 1978. An unchanged dividend of NKr 12 per share is recommended.

External sales reached NKr 2.5bn, up 15 per cent on a year earlier. New orders booked during the year were worth NKr 1,791m, compared with NKr 3,683m in 1978. The fall mainly reflects the fact that the group's largest facility, the Rosenberg yard in Stavanger, could not accept work because it is fully employed building the steel deck for the Statjord field's second platform.

The report says liquidity is good. The annual general meeting will be on May 9.

## Burmeister diesel stake may stay in Denmark

By Hilary Barnes in Copenhagen

THE DANISH Social Democratic Government will try to form a consortium of Danish interests, possibly to include participation by the state, to take over the half share in the Burmeister and Wain Diesel engineering company which the parent company wishes to sell to MAN of West Germany.

This was announced yesterday by Mr. Erling Jensen, the Industry Minister, after a Cabinet meeting. Mr. Jensen said that various organisations had already expressed interest in the idea.

B & W Diesel was set up last year when Burmeister's marine diesel engineering interests were hived off into a separate company in which the parent company, B & W A/S, and MAN each hold 49.75 per cent of the shares.

The B & W board announced on Friday that it intended to sell its remaining half share to MAN, in order to strengthen the financial position of the remainder of the group, which includes the B & W shipyard in Copenhagen.

The decison caused a political furore. B & W's marine diesel engines are to Danish engineering what Rolls-Royce engines are to British engineering.

"We shall do everything in our power to create a national solution to acquire the shares," said Mr. Jensen. But he added that MAN would have to agree to a national solution since it had right of first refusal.

He envisaged a consortium consisting of private companies, financial institutions, foundations and possibly the state. The value of the shares which are for sale is just under DKr 100m ($17m).

## SEAT imposes short-time working as losses mount

BY ROBERT GRAHAM IN MADRID

SEAT, Spain's largest car manufacturer, due to come under full Fiat control within two years, expects a sharp increase in losses for 1979 and has applied to the Labour Ministry to put the bulk of its 32,000 labour force on short time.

This is the second time in two years that SEAT has been obliged to make such a move. SEAT currently has over 45,000 unsold cars in stock, which is about 10,000 more than needed to service dealers.

Under the terms of the agreement between Fiat and the State-controlled holding company, INI, for acquiring full control, provision has been made for short time working if stocks go above 45,000. The last time that short time was introduced, in 1978, stocks stood at almost double the present level.

Since September stocks have hovered around the 45,000 level. But the management became concerned when in January the Spanish car market slumped sharply. Average sales fell by 40 per cent against January 1979 and in February the fall was 25 per cent. In both months SEAT's sales declines were slightly greater than this. Although these may have been the worst months, there is little overall optimism about consumer demand for cars.

SEAT officials expect the company to record a loss of PTA 12bn ($175m) in 1979, which will be PTA 1.5bn more than for the previous year. The company hopes, through strong promotion, to reassert its market position with its Rythmo model, and is expected to launch the new Panda later in the year.

The Landablen plant in Wayarre which is producing the Panda will be kept fully operational, as will the spare parts operation at Prat, near Barcelona.

During the past nine months Fiat has raised its stake in SEAT from 36 to 41 per cent, and INI has increased its stake from 34 per cent to 39 per cent. This has been done through increasing SEAT's capital and the waiver of subscription rights by small private shareholders. By 1982 Fiat is expected to control 80 per cent of SEAT's capital.

## Oce UK offshoot still in deficit

BY CHARLES BATCHELOR IN AMSTERDAM

DUTCH COPIER GROUP Oce Van der Grinten, will need more time than originally thought to turnround Ozalid, the UK company it acquired in 1977.

Oce expects it will take another two years before the drawing office activities of Ozalid show "reasonable" profit. In 1979 these activities lost £890,000 ($1.94m) partly because of incomplete reorganisation and partly owing to the depressed state of the British economy.

However, general office activities in the UK and Ozalid's overseas business were making a "growing contribution" to profits. The favourable development of sales in the final quarter of the year ended in November continued into the the first months of the current year. The potential for sales and profit growth is good.

The results in 1978-79 were not unsatisfactory against the background of the disappointing world economy. Operating profit at Oce rose by 9.1 per cent to Fl 103m ($50m) while net profit was 3.3 per cent higher at Fl 42.7m. Net profit per share rose by 2.3 per cent to Fl 23.64. Dividend is Fl 8, compared with Fl 7.60.

Excluding the adverse impact of currency movements last year, Oce, 90 per cent of whose sales arise outside the Netherlands, would have increased operating profit by 13 per cent and sales by eight per cent. It expects to maintain capital this year around Fl 108m.

The company is still considering the best method of launching its latest high-volume copier (the 1900) in the U.S. Manufacture by a U.S. licensee or the acquisition of a U.S. company are both being considered, Mr. Jan Kaptein, Oce's chairman, said yesterday.

Oce's drawing office sales rose by five per cent to Fl 680m last year, a rate of growth higher than the market average. Sales of plain paper copiers on the international general office market rose by 16 per cent and more than compensated for the continuing decline of the zinc oxide copier market.

* * *

PROFIT growth outstripped sales at the Dutch publishing group, VNU, in 1979 and the company proposes an increased dividend.

Net profit rose by 13.6 per cent Fl 45.1m ($22m) while sales rose by 8.4 per cent to Fl 1.19bn ($575m). Net profit per share rose by 13.7 per cent to Fl 19.12 and VNU plans to raise total dividend to Fl 6.85 from Fl 6. The final payment will be Fl 4.65.

* * *

THE PROPERTY operation of Nationale Nederlanden, the largest insurance group in Holland, has purchased office property in Manhattan, New York, costing $263m.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bo nd issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on March 25

U.S. DOLLAR STRAIGHTS

| | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

DEUTSCHE MARK STRAIGHTS

| | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

SWISS FRANC STRAIGHTS

| | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

YEN STRAIGHTS

| | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

OTHER STRAIGHTS

| | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

FLOATING RATE NOTES

| | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

CONVERTIBLE BONDS

| | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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# DKB'S ECONOMIC JOURNAL

March 1980: Vol. 9 No. 3

## Declines are anticipated in liquidity position of Japanese enterprises

### Recent corporate finance

Japanese businesses have enforced the so-called "weight reduction" programs in the processes of a serious recession since the oil crisis of 1973 and a gradual recovery since the spring of 1975.

The weight reduction programs, which included a reduction of the employed force and "rationalization" in all phases of management, have been intended to meet the new trends of slower growth of the national economy.

Reflecting these efforts and improvement in the economic and financial environments, corporate performances have been gradually recovering since 1976.

Effects of the weight reduction attempts have been seen more saliently in production, inventories and employment, but such efforts have also brought about a significant change in corporate finance.

### Borrowings

Since fiscal 1975, the rate of rise in borrowings of principal businesses from financial institutions has been declining year after year. This trend has been seen in both manufacturing and non-manufacturing industries.

Especially in manufacturing industries, an excess of refunding to financial institutions was observed in fiscal 1978.

The cut in borrowings in general reflected a slowdown of sales growth under slower economic expansion and restraints over investments under the weight reduction programs, although differences have been observed from one industry to another in patterns of borrowings.

Another significant change brought about in corporate finance over these several years is an enforcement of self-financing at many firms.

With repayments of debts and improvement of corporate performances, procurements of borrowed capitals have saliently declined.

According to BOJ "Financial Statement of Principal Enterprises in Japan", the so-called self-finance ratio, which is obtained by dividing a corporation's own funds (internal reserve, allowances and depreciations) by investment amounts, indicates that the ratio has been rising more conspicuously in manufacturing industries.

For instance, the ratio went up to 115.6 per cent in fiscal 1976 and further rose to a level of 200 per cent in fiscal 1978, as compared with 43.6 per cent in fiscal 1974 when demand for funds reached a peak.

A change is also observed in both levels and nature of corporate cash flow.

### Cash flow

According to the Short-Term Economic Outlook of the Bank of Japan, the liquidity position (which covers cash in hands, bank deposits and short-term securities) at principal manufacturing companies dipped to an equivalent to liquidity requirements for 1.5 months in the latter half of 1974, from two-month requirements during the 1971-1972 period.

Subsequently, input of funds from the national treasury and the so-called easy money policy raised the ratio to between 1.7-month and 1.9-month requirements during the 1975-1978 period.

There was some rise in the cash flow ratio in the latter half of 1978 with an additional input from the national treasury and receipts from export transactions, but the ratio has been declining since then.

The ratio of financial costs to gross sales was 5.09 per cent in manufacturing industries and 2.88 per cent in non-manufacturing industries in fiscal 1975, when corporate performances hit a bottom.

However, the ratio has been dipping since then. In fiscal 1978, the ratio showed a decline by 1.59 percentage points in manufacturing and by 0.40 percentage point in non-manufacturing.

Effects of this cut in financial costs have been highly significant for improvement of profit levels at many Japanese firms.

Combined with a major cut in the interest rates, a reduction in interest-bearing debts has contributed much to improvement of corporate performances.

Significant improvement has also been made in various other aspects of corporate finance. The debt-equity ratio, which has continued to rise since the end of World War II, has been declining year after year since 1977, and this trend has been more clearly observed in the automobile and precision instrument industries that have displayed higher earning capability.

The decline in the debt-equity ratio has been achieved at some firms by cutting investments and disposing of assets, but it has been generally fulfilled by attaining higher earning capability.

It also reflects a stance now generally taken by Japanese businesses to emphasize higher security, rather than growth.

### Outlook

Are these changes a temporary phenomenon observed in the recovery phase of the economy as led by the public finance and export increases, or are they durable ones?

Since early in fiscal 1979, a radical shift was made in policy to tight money policy from easy money, and money supply has been tightened further in the latter half of the fiscal year. How will Japanese corporate finance be under these circumstances?

Production and sales of big businesses of Japan have been steadily expanding since early fiscal 1979, reflecting a slow but steady recovery of business conditions at home.

Investments have also been increasing. Various indicators contained in the BOJ Short-Term Economic Survey of Principal Enterprises indicate that inventory adjustments have been largely completed, and plant and equipment investments are now intended to augment production capacity, as well as to minimize manpower and energy consumption.

The new trends in plant and equipment investments are more clearly observed in automobile, electrical equipment and machinery manufacturing.

It is expected that fund requirements of big businesses will increase for these plant and equipment investment programs. It is also expected that requirements for operating funds will rise, reflecting the current spiral of prices.

As a matter of fact, a significant increase is being registered in borrowings of big businesses from financial institutions, especially in non-manufacturing industries.

The accompanying table shows the rate of increase in borrowings from financial institutions over the same month of the previous year by industry. It is indicated on the table that net declines are registered in automobile, electrical equipment and machinery manufacturing, while major increases are being scored in petroleum refining, power and gas industries, obviously reflecting the hike in oil prices.

Rises are also seen in cement and other kiln-processed product industries, as well as paper and pulp manufacturing. It is expected that borrowings will continue to rise in these industries.

Meanwhile, the liquidity position has been quickly declining since the middle of 1978 at many Japanese corporations. This would mean that Japan's big businesses have been meeting fund requirements by spending cash on hand.

### Price hikes

In fiscal 1980 (to begin on April 1), it is anticipated that prices of oil and industrial raw materials will unavoidably increase, while various public utilities rates are scheduled to increase. All this means that it is inevitable that prices will go up.

It is also expected that the wage hike to be won by labor through its "spring offensives" will be higher than the levels in a couple of years in the past.

Furthermore, it is expected that the interest rates will continue to be at a high level to push up financial costs, while final demand may show a drop with a slowdown of economic growth. It is already clear that the role to be played by the public finance will be severely limited.

Under these economic conditions, it is anticipated that there will be a downward curve depicted in corporate performances, while fund requirements will increase for both plant and equipment investments and overheads. On the other hand, the fund availability is quickly declining under the tight money conditions.

**Year-to-Year Changes in Outstanding Debts of Major Enterprises**
(In percentage)

| | 1979 March-end | 1979 June-end | 1979 Sept.-end | March-end, 1980* |
|---|---|---|---|---|
| Manufacturing | −3.6 | −2.6 | 0.0 | +1.8 |
| Automobiles | −6.7 | −7.6 | −7.6 | −8.6 |
| Elec. machines | −6.3 | −5.2 | −5.7 | −3.0 |
| Paper-pulp | −2.6 | −3.3 | −2.6 | +0.6 |
| Ceramics | −5.5 | −3.9 | −3.9 | +0.7 |
| Oil refining | −16.2 | +3.8 | +30.3 | +41.2 |
| Non-manufacturing | +2.9 | +4.6 | +7.1 | +8.0 |
| Power utility | +23.5 | +24.4 | +29.5 | +24.8 |
| Gas | +9.5 | +11.3 | +14.3 | +17.4 |

Note: * estimates
Source: The Bank of Japan

**Trends in Sales & Financial Cost Indices by Industry**
(100 for fiscal 1973)

| | | FY'74 | '75 | '76 | '77 | '78 |
|---|---|---|---|---|---|---|
| Export-related industries | | | | | | |
| Automobiles | Sales | 116 | 132 | 153 | 177 | 197 |
| | Financial costs | 134 | 149 | 138 | 121 | 102 |
| Elec. machinery | | 113 | 111 | 132 | 145 | 161 |
| | | 142 | 151 | 130 | 123 | 109 |
| Precision machinery | | 122 | 124 | 147 | 176 | 197 |
| | | 155 | 169 | 154 | 139 | 134 |
| Public investment-related industries | | | | | | |
| Glass | | 119 | 123 | 146 | 151 | 159 |
| | | 134 | 163 | 179 | 165 | 139 |
| Cement | | 117 | 112 | 124 | 137 | 153 |
| | | 143 | 167 | 178 | 179 | 159 |
| Market-sensitive industries | | | | | | |
| Steel | | 129 | 121 | 138 | 132 | 136 |
| | | 130 | 149 | 166 | 165 | 151 |
| Paper-pulp | | 112 | 111 | 128 | 129 | 124 |
| | | 129 | 149 | 160 | 152 | 131 |

Source: The Bank of Japan

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We have your interests at heart.
DAI-ICHI KANGYO BANK

The next DKB monthly report will appear April 25.

JAPANESE NEWS

# Brewers see recovery in higher prices

BY YOKO SHIBATA IN TOKYO

JAPAN'S TOP three brewers, Kirin Brewery, Sapporo Breweries, and Asahi Breweries expect a sharp recovery in earnings in the current fiscal year, on the strength of proposed price rises for beer.

Asahi and Sapporo, the second- and third-ranking breweries, have already announced their decision to mark up beer prices in the middle of this month. Kirin Brewery, with a 62 per cent market share, has this week also indicated its intention to raise prices. Kirin's decisions follows gloomy forecasts of business performance in the current fiscal year, ending January 1981, given current prices. Without the increase in beer prices, Kirin's operating profits would fall to Y12.5bn ($50m) from its estimated Y31.5bn in the year just ended.

In 1979-80 Kirin suffered a 22.2 per cent decline in operating profits and a 10.7 per cent setback in net profits to Y16.6bn, despite a 5.6 per cent rise in sales to Y830.5bn ($3.33bn).

Like the other two brewers, Kirin blamed the poor performance on cost rises on imported barley and fuel following the yen's depreciation, and in particular an increase in domestic barley and wheat.

Sapporo's operating profits declined by 37 per cent to Y4.5bn and net profits dropped by 11.4 per cent to Y3.1bn on sales of Y251.5bn for the fiscal year ended December 1979.

Asahi's operating profits were Y2.8bn, down 47 per cent and net profits dipped by 42 per cent to Y1.5bn, on sales of Y181.1bn, down 1.4 per cent for the fiscal year ended December, 1979.

The Japanese brewery industry suffers from structural problems. It is monopolised by Kirin with its 62 per cent market share. Price increases by Sapporo and Asahi are virtually impossible unless Kinrin raises its prices at the same time.

However, if Krin raises prices in collaboration with the other two brewers, they may violate Japan's anti-monopoly laws, regulating synchronous price increases. According to the law if the price increases come within three months of one another and differ by less than 10 per cent, the brewers would be considered to be in a collusion. A delay of Kirin's descision, however, would drive Sapporo and Asahi into operating deficits of around Y3bn each in the current year.

The industry has been asking for price rises since last summer. The National Tax Bureau is understood to be lobbying for a price increase in view of the unhealthy financial circumstances of the industry, and official lobbyings normally smooth legal complications.

With the rises, both Kirin and Sapporo expect to post record operating profits—Y52.5bn, up 66 per cent, and Y10bn, up 22 per cent, respectively, in the current fiscal year. Asahi, with a relatively high dependence on soft drinks with their lower profitability, cannot expect record earnings, but operating profits are expected to increase by 75 per cent to Y5.2bn.

## Earnings rise at Marui

TOKYO—Marui Company, a leading Japanese chain store operator, raised its parent company net profit in the year to January 31 by 10.4 per cent to Y7.96bn ($32m) from Y7.21bn the year before.

Sales gained 9.2 per cent to Y216.09bn ($867m), from Y197.87bn.

* * *

Matsushita Electric Works, the Japanese electric appliances company, raised its consolidated net income by 29 per cent to Y18bn ($72m) in the year ended November 30, from Y13.98bn the previous year.

Sales reached Y451.20bn ($1.81bn) compared with Y389.12bn and earnings per share advanced to Y42.50 from Y36.49.

* * *

Japan's Dai-Ichi Kangyo Bank and Mitsubishi Bank said that they will adopt the cost price method to value their national bond holdings after the six-month business period ending this month.

Hokkaido Takushoku, another City bank, said that it will probably adopt the method, replacing the lower of cost or market value method which all banks used up to last September 30.

Agencies

## Eurocredit for African bank

By Peter Montagnon

THE AFRICAN Development Bank is seeking a $200m seven-year standby Eurocredit with a margin of ⅝ per cent above Libor throughout, from a group of international banks under the lead management of Credit Commercial de France (CCF) and Midland Bank France.

Offer Telexes for the credit were expected to be sent to participating banks late yesterday, according to officials at CCF in Paris.

The credit, which cannot be cancelled for three years, may be drawn at three months notice during the first four years of its life, and at 30 days notice during the subsequent three years.

A commitment fee of ⅜ per cent will be levied on undrawn amounts.

## Good year for Carlsberg Malaysia

By Wong Sulong in Kuala Lumpur

CARLSBERG BREWERY Malaysia has recorded another good year with pre-tax profits in 1979 rising by 22 per cent to 8.4m ringgit (US$3.7m).

Sales increased by 34 per cent to 78m ringgit (US$34.8m), reflecting the company's taking a larger share of the Malaysian beer market, and the buoyant sales of liquor arising from the Malaysian commodity boom.

The pre-tax profit was arrived at after making a much higher allowance for depreciation, but at after-tax level, the earnings were down to 4.8m ringgitt compared with 6.4m ringgit in 1978.

This was because the company claimed more than 2.1m ringgit in 1978 for accelerated depreciation allowances.

A final dividend of 15 per cent is to be paid, bringing the year's total to 25 per cent, compared with 22.5 per cent in 1978.

# Gulf and Western in joint takeover offer for AFS

SYDNEY. — Associates Corporation of North America, a subsidiary of Gulf and Western Industries, has said it will make a joint $11.5m takeover offer with the Melbourne-based insurance group T and G Mutual Life Society for the finance company Australian Finance and Securities (AFS).

The offer is conditional on approval from the Government's foreign investment review board, and upon receipt of 90 per cent acceptance by shareholders.

The joint offer is of $1.20 cash for each of the 8m fully paid 50 cent shares cum dividend in AFS, and 95 cents for each of the 2m partly-paid 50 cent shares. The shares closed on the Sydney stock market yesterday at $1.05 and 76 cents respectively.

Associates noted that the AFS board has said it will recommend that the offer be accepted when it is formally made.

The two major shareholders of AFS, Hambro Australia with 33 per cent and the Philadelphia International Investment Corporation with 24 per cent, are both represented on the AFS board, Associates added.

* * *

The possibility of conflict between the Australian Government's Foreign Investment guidelines and the stock exchange's takeover rules must be resolved as quickly as possible, Mr. John Howard, the Treasurer said.

He noted in a statement that while such conflict is unlikely to arise more than a handful of times each year, the matter requires resolution and a statement of the Government's position.

The possibility of a conflict stems from the Government's requirement that no more than 49 per cent of an Australian company be foreign owned.

However, the Australian stock exchanges have brought in new rules governing takeovers which require any company obtaining 20 per cent of a target company's equity to stand in the market for a set period and acquire whatever is offered.

Mr. Howard said he discussed the matter with Mr. Frank Mullens, the chairman of the Australian Associated Stock Exchanges while other talks have included officials of the Foreign Investment Review Board.

The Government will set proposals before the Ministerial Council, which oversees the National Companies and Securities Commission, at its next meeting on March 28, he added. A further statement will be made then.

Reuter

# Rights issue from Bank Leumi

BY L. DANIEL IN TEL AVIV

BANK LEUMI has filed a prospectus for a rights issue consisting of 1529.07m (around $7m) nominal value of regular, registered 150.1 shares and of 87.2 options, Series 5, convertible between November 1, 1980 and May, 1981, with each option convertible into one 150.1 share.

The issue will be in the form of 29m units, each consisting of 10 shares and three options at a price of 154.4, giving a total value of some 15.28m ($31m). Eligible will be holders of shares, and capital notes (including options) convertible into shares. Employees and pensioners of the bank will be given the opportunity of acquiring 70.000 options.

* * *

FIBI HOLDING, the parent company of the First International Bank of Israel, which is a medium-size institution, reports that its consolidated balance-sheet increased by 120 per cent (or 9 per cent more than the rate of inflation) last year, to reach IS4.89bn ($119m).

Profits rose by 236.3 per cent to 152.17m ($5.3m), both ordinary income and ordinary expenditure having risen by 245 per cent over 1978. The contribution of the First International Bank to the net profit was IS 1.70m.

A final cash dividend of 8 per cent has been announced, bringing the total cash dividend to an unchanged 15 per cent. The board of directors has also recommended the distribution of a further 66.6 per cent in bonus shares in addition to the 33.3 per cent already paid (in 1978 bonus shares were issued as to 43 per cent).

## George Kent dividend up

BY OUR KUALA LUMPUR CORRESPONDENT

GEORGE KENT Malaysia, the medical and scientific equipment manufacturer and distributor, is giving a higher dividend plus a scrip issue after reporting another record profit last year.

It is giving a final dividend of 12 per cent, bringing the year's total to 20 per cent, compared with 17.5 per cent previously. It is also giving a one-for-two scrip issue to capitalise on ringgits 3m ($458,000) from retained profits and surplus from revaluation of assets.

For the year ended December, George Kent's pre-tax profit rose 14 per cent to ringgit 4.2m ($1.9m), but net profit was 29 per cent higher at ringgit 2.37m ($1m) because of lower taxation.


**Rustenburg Platinum Holdings Limited**

(Incorporated in the Republic of South Africa)

**Consolidated Interim Report for the six months ended 29th February, 1980.**

CONSOLIDATED INCOME STATEMENT

The unaudited consolidated Income Statement for the six months to 29th February, 1980, together with comparable figures are set out below:

| | Six months to 29.2.80 R000 | to 28.2.79 R000 | Year ended 31.8.79 R000 |
|---|---|---|---|
| Net operating profit from sales of metal including dividends from the Matthey Rustenburg Refiners' group before provision for renewals and replacements ... | 125,100 | 59,600 | 158,900 |
| Deduct: | | | |
| Provision for renewals and replacements ........ | 15,600 | 11,300 | 25,700 |
| Operating profit after provision for renewals and replacements ........ | 109,500 | 48,300 | 133,200 |
| Deduct: | (900) | 2,400 | 3,500 |
| Provision for possible losses on foreign loans ........ | — | 600 | 1,000 |
| Net interest paid (received) . | (900) | 1,800 | 2,500 |
| Profit before taxation ........ | 110,400 | 45,900 | 129,700 |
| Deduct: | | | |
| Taxation and State's share of profits ........ | 43,500 | 21,500 | 51,000 |
| Profit after taxation ........ | 66,900 | 24,400 | 78,700 |
| Deduct: Dividends ........ | 15,700 | 6,200 | 25,000 |
| Available for transfer to reserves ........ | 51,200 | 18,200 | 53,700 |
| Earnings per share (cents) based on profit after taxation attributable to shares ranking for dividend ........ | 53.4 | 19.8 | 62.6 |

FINANCIAL

The increased profit for the period arose from higher metal prices and a modest increase in the rate of sales. Stocks of metal declined marginally. Acceptance credits totalling R16.8 million were repaid.

Expenditure on mining assets amounted to R34.0 million for the six months of which R10.3 million was charged to the Renewals and Replacement Reserve. Capital expenditure at the mines during the remainder of the financial year is expected to be of the order of R49.0 million. Of this total, expenditure allocated for expansion is R30.0 million and expenditure for the maintenance of capacity is R19.0 million.

MARKET

Generally, industrial demand for platinum remained strong, particularly in the USA. However, the very high fluctuating Free Market prices brought about a decline in demand for platinum jewellery in Japan. Demand for our platinum from the USA automobile industry declined sharply during recent months as a result of the reduction in sales of new automobiles in that country. In common with other precious metals, platinum was subject to speculative activity and investment demand as an alternative to paper currencies.

The gross revenue from sales of the company's platinum was some 56% higher than for the first half of the previous financial year. Revenue from sales of by-products with the exception of nickel also increased substantially. Nickel revenue was affected by a four-month strike at the Amax Nickel Refinery in the USA which ended in January 1980.

DECLARATION OF DIVIDEND

Dividend No. 52 of 12.5 cents per share, South African currency, has been declared payable to members registered in the books of the company at the close of business on 11th April, 1980. The dividend is declared subject to conditions which can be obtained from the company's Head Office or from the Office of the London Secretaries (Barnato Brothers Limited of 99, Bishopsgate, London EC2M 3XE).

The Register of Members will be closed from 12th to 20th April, 1980, both days inclusive.

Payments by the London Secretaries will be made in United Kingdom currency at the rate of exchange quoted by the company's bankers on 28th April, 1980, provided that in the event of the company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic shall be converted at the rate of exchange quoted by the company's bankers on the next succeeding day on which such a rate is quoted.

Dividend warrants will be posted either from the Johannesburg Office or the Office of the London Secretaries as appropriate on 8th May, 1980.

South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted from the dividend where applicable.

For and on behalf of the Board

ALBERT ROBINSON
K. W. MAXWELL } Directors

*Head Office and Registered Office:*
Consolidated Building,
Corner Fox and Harrison Streets,
Johannesburg 2001,
P.O. Box 590, Johannesburg 2000.
25th March, 1980.



**U.S. $30,000,000**

**Floating Rate London-Dollar Negotiable Certificates of Deposit, due 26th March, 1981**

**THE SANWA BANK LIMITED**
**LONDON**

In accordance with the provisions of the Certificates, notice is hereby given that for the six month Interest Period from 26th March, 1980 to 26th September, 1980, the Certificates will carry an Interest Rate of 19½% per annum. The relevant Interest Payment Date will be 26th September, 1980.

Credit Suisse First Boston Limited
Agent Bank



*This announcement appears as a matter of record only.*

**PIRELLI**

**Productos Pirelli, S.A.**

**$18,000,000**

**Multicurrency Loan**

Dillon, Read Overseas Corporation — Société Générale de Banque S.A./Banque Belge Limited

Kredietbank International Group — Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares (La Caixa)

*Provided by*

Société Générale de Banque S.A. — Kredietbank N.V.

Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares (La Caixa) — Nordfinanz-Bank Zürich, Zurich

*Agent Bank*

Banque Belge Limited

*Financial Advisor to the Borrower*

Banca Mas Sardá

*14th March, 1980*



*This announcement appears as a matter of record only*

**LA REPUBLICA ARGENTINA**

**US $250,000,000**

Medium Term Loan

*Lead Managed by*

BANCO DE LA NACIÓN ARGENTINA
CANADIAN IMPERIAL BANK OF COMMERCE
CRÉDIT LYONNAIS
DG BANK
Deutsche Genossenschaftsbank
LLOYDS BANK INTERNATIONAL LIMITED
SOCIETE GENERALE DE BANQUE S.A./BANQUE BELGE LIMITED

*Managed by*

BANCO CENTRAL S.A., LONDON BRANCH — BANCO NACIONAL DE MEXICO, S.A. BANAMEX
BANCO DE LA PROVINCIA DE BUENOS AIRES — THE BANK OF NOVA SCOTIA GROUP

*Co-Managed by*

BANCO DO BRASIL S.A. — BANCO DE CHILE
BANCO DO ESTADO DE SAO PAULO S.A. BANESPA — BANQUE EUROPÉENNE POUR L'AMERIQUE LATINE (B.E.A.L.) S.A.
BANQUE DE PARIS ET DES PAYS-BAS — EURO-LATINAMERICAN BANK LIMITED —EULABANK—

*Provided by*

Banco de la Nación Argentina — Canadian Imperial Bank of Commerce
Crédit Lyonnais Panama Branch — DG BANK International Société Anonyme
Lloyds Bank International Limited — Société Générale de Banque S.A.
Banco Central S.A., London Branch — Banco Nacional de Mexico, S.A. BANAMEX
Banco de la Provincia de Buenos Aires — Banco do Brasil S.A.—Grand Cayman
The Bank of Nova Scotia International Limited — Banco de Chile
Banco do Estado de Sao Paulo S.A. BANESPA — Banque Européenne pour L'Amerique Latine (B.E.A.L.) S.A.
Banque de Paris et des Pays-Bas Bahrain Offshore Branch — Euro-Latinamerican Bank Limited —EULABANK—

*Agent*

LLOYDS BANK INTERNATIONAL LIMITED

A member of the Lloyds Bank Group

March 1980

# CURRENCIES, MONEY and GOLD

## £ & $ firm

STERLING continued to improve in the foreign exchange market yesterday, ahead of today's Budget statement by the Chancellor of the Exchequer. Firm U.S. interest rates tended to boost the dollar, which finished stronger against most currencies. The pound's trade-weighted index, as calculated by the Bank of England, closed at the highest level since the end of February, at 72.7, compared with 72.2 on Monday, and after standing at 72.7 throughout the day.

Sterling rose to DM 4.1550 against the D-mark, and FFr 9.6375 against the French franc, the highest points since last August.

The pound rose 75 points against the dollar to finish at $2.1905-1915. It opened at $2.1860-$2.1880, and touched $2.1980-$2.1990 in the afternoon, but eased towards the close as the dollar improved generally.

The dollar's index, on Bank of England figures, rose to 89.7 from 89.6. The U.S. currency rose to DM 1.8955 from DM 1.8860 against the D-mark, and to SwFr 1.7940 from SwFr 1.7850 in terms of the Swiss franc. There was no sign of heavy intervention to support European currencies by central banks.

**D-MARK** — Steady within the European Monetary System, but weaker against the dollar following expectations of continuing balance of payments deficit in Germany, and effects of anti-inflation measures and higher interest rates in the U.S. The D-mark weakened against most major currencies, including its EMS partners at the Frankfurt fixing. The German unit was unchanged against the Italian lira, but lost ground to the French franc, Dutch guilder, Danish krone and Belgian franc. Outside the EMS the Swiss franc rose to DM 1.0589 from DM 1.0557, and sterling was very firm, rising to DM 4.1530 from DM 4.1200 at the fixing. There was no sign of heavy intervention by the Bundesbank to support the D-mark during open trading, but the German authorities sold $14m, when the dollar was fixed at DM 1.8944, compared with DM 1.8895 previously.

**ITALIAN LIRA**—Generally firm and close to top of EMS, but weaker against dollar leading to expectations of firmer interest rates to prevent capital outflows following latest moves in the U.S. The lira weakened against most EMS currencies, the dollar, sterling and Swiss franc at the Milan fixing. The dollar rose to L881.30 from L879.70, the highest level since October 1977, and the pound improved to L1,932 from L1,917.50. Within the EMS the D-mark eased to L465.15 from L465.40, and the Danish krone to L148.77 from L148.80, but the French franc rose to L200.38 from L200.20, the Belgian franc to L28.865 from L28.805, and the Irish punt to L1.737 from L1.728.25.

**FRENCH FRANC**—Remaining firm at top of EMS, helped by foreign capital inflows—The French franc showed mixed changes against its EMS partners, improving against the D-mark, Italian lira, and Danish krone at the Paris fixing, but declining against the Dutch guilder, Irish punt and Belgian franc. The dollar was very firm rising to FFr 4.39775 from FFr 4.3945, while sterling improved to FFr 9.6410 from FFr 9.5830.

**BELGIAN FRANC**—Weakest member of EMS, despite several upward movements in interest rates including 2 per cent to 14 per cent in discount rate earlier this month—The Belgian franc was firmer at the Brussels fixing, gaining ground against all EMS currencies except the Irish punt.

## THE DOLLAR SPOT AND FORWARD

| March 25 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 2.1860-2.1990 | 2.1905-2.1915 | 0.05c pm-0.05 dis | — | 0.57-0.67 dis | 1.13 |
| Ireland† | 1.9670-1.9765 | 1.9700-1.9715 | 0.30-0.20c pm | 1.52 | 0.15-0.05 pm | 0.20 |
| Canada | 1.1904-1.1915 | 1.1910-1.1914 | 0.53-0.48c pm | 5.09 | 1.27-1.17 pm | 4.10 |
| Nethlnd. | 2.0710-2.1782 | 2.1715-2.1725 | 1.41-1.34c pm | 7.96 | 4.35-4.25 pm | 8.29 |
| Belgium | 30.49½-30.57 | 30.52-30.54 | 3-1c pm | 0.79 | 13-8 pm | 1.44 |
| Denmark | 5.9155-5.9255 | 5.9235-5.9250 | 1.40-1.90ore dis | −3.34 | 2.90-3.40dis | −2.13 |
| W. Ger. | 1.8900-1.8990 | 1.8950-1.8960 | 1.55-1.45pf pm | 9.50 | 4.58-4.48 pm | 9.56 |
| Portugal | 50.45-50.60 | 50.50-50.60 | par-15c dis | −1.78 | 10 pm-35dis | −0.99 |
| Spain | 70.65-70.80 | 70.75-70.80 | 15-25c dis | −3.39 | 56-75 dis | −3.67 |
| Italy | 880.90-882.65 | 881.00-881.40 | 0.9-0.4lire dis | −0.88 | 0.50 pm-par | 0.11 |
| Norway | 5.0870-5.1045 | 5.0890-5.0910 | 1.75-1.25ore pm | 3.53 | 5.75-5.25 pm | 4.32 |
| France | 4.3930-4.4050 | 4.3975-4.3990 | 1.85-1.75c pm | 4.91 | 5.60-5.40 pm | 5.00 |
| Sweden | 4.3965-4.4085 | 4.3985-4.3980 | 2.20-2.00ore pm | 5.73 | 6.20-6.00 pm | 5.54 |
| Japan | 248.80-249.20 | 249.00-249.10 | 0.75-0.60y pm | 3.25 | 2.50-2.35 pm | 3.89 |
| Austria | 13.53½-13.57½ | 13.53½-13.54½ | 9.75-8.75gro pm | 8.20 | 32.50-33.00pm | 9.23 |
| Switz. | 1.7850-1.7950 | 1.7935-1.7945 | 2.16-2.09c pm | 14.21 | 5.54-5.47 pm | 12.27 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

## THE POUND SPOT AND FORWARD

| March 25 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 2.1860-2.1990 | 2.1905-2.1915 | 0.05c pm-0.05 dis | — | 0.57-0.67 dis | 1.13 |
| Canada | 2.6020-2.6150 | 2.6090-2.6100 | 1.10-1.00c pm | 4.83 | 2.30-2.20 pm | 3.45 |
| Nethlnd | 4.53-4.57 | 4.54-4.55 | 3⅛-2⅛c pm | 7.59 | 8½-7½ pm | 7.04 |
| Belgium | 66.80-67.30 | 66.85-66.95 | 8c pm-2 dis | 0.54 | 14-4 pm | 0.54 |
| Denmark | 12.94-13.03 | 12.97¾-12.98¾ | 2⅞-4⅞ore dis | −3.35 | 10⅞-12⅞ dis | −3.58 |
| Ireland | 1.1100-1.1170 | 1.1110-1.1120 | 0.13-0.08p pm | 1.13 | 0.28-0.21 pm | 0.88 |
| W. Ger. | 4.13½-4.17½ | 4.15-4.16 | 4-3pf pm | 10.11 | 9½-8½ pm | 8.54 |
| Portugal | 110.30-111.20 | 110.55-110.65 | 15-35c dis | −2.71 | 50-110 dis | −2.89 |
| Spain | 154.00-155.35 | 154.90-155.00 | 20-60c dis | −3.10 | 155-200 dis | −4.58 |
| Italy | 1,924-1,938 | 1,931-1,932 | ¼lire pm-1¼ dis | −0.15 | 5-7 dis | −1.24 |
| Norway | 11.14-11.22 | 11.14¾-11.15¾ | 4⅝-3⅝ore pm | 4.30 | 10⅞-9⅞ pm | 3.68 |
| France | 9.62-9.66½ | 9.63¼-9.64¼ | 4½-3½c pm | 4.98 | 10-9 pm | 3.94 |
| Sweden | 9.63-9.70 | 9.63¼-9.64¼ | 4½-3½ore pm | 4.98 | 11-10½ pm | 4.40 |
| Japan | 542-548 | 545½-548½ | 1.55-1.15y pm | 2.97 | 3.70-3.30 pm | 2.56 |
| Austria | 29.63-29.80 | 29.65-29.70 | 22-18gro pm | 8.09 | 63-58 pm | 8.02 |
| Switz. | 3.90-3.94 | 3.92¾-3.93¾ | 4⅞-3⅞c pm | 13.35 | 10⅞-9⅞ pm | 10.55 |

Belgian rate is for convertible francs. Financial franc 69.00-69.10. Six-month forward dollar 0.75-0.85c dis. 12-month 0.45-0.55c dis.

## CURRENCY RATES

| Mar. 24 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | 17 | 0.579496 | 0.610159 |
| U.S. $ | 13 | 1.26359 | 1.33167 |
| Canadian $ | 14 | 1.49874 | 1.58069 |
| Austria Sch. | 6¾ | 17.1065 | 18.0308 |
| Belgian F. | 14 | 38.5900 | 40.6393 |
| Danish K | 13 | 7.47098 | 7.87351 |
| D'Mark | 7 | 2.38755 | 2.51526 |
| Guilder | 9½ | 2.61942 | 2.75762 |
| French Fr. | 9½ | 5.55265 | 5.84604 |
| Lira | 15 | 1111.64 | 1171.20 |
| Yen | 9 | 315.076 | 331.320 |
| Norwgn. Kr. | 9 | 6.45063 | 6.80085 |
| Spanish Pts. | 8 | 89.0667 | 94.0160 |
| Swedish Kr. | 10 | 5.57711 | 5.87600 |
| Swiss Fr. | 3 | 2.26056 | 2.38209 |

## CURRENCY MOVEMENTS

| Mar. 25 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 72.7 | —32.7 |
| U.S. dollar | 89.7 | —3.9 |
| Canadian dollar | 80.7 | —18.1 |
| Austrian schilling | 152.6 | +23.4 |
| Belgian franc | 113.7 | +12.8 |
| Danish kroner | 105.0 | —5.4 |
| Deutsche mark | 152.3 | +43.2 |
| Swiss franc | 189.7 | +73.4 |
| Guilder | 124.6 | +19.5 |
| French franc | 98.7 | —6.5 |
| Lira | 53.2 | —50.6 |
| Yen | 116.5 | +15.5 |

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

## OTHER CURRENCIES

| Mar. 25 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso | 3802-3822 | 1735-1745 | Austria | 29.60-29.85 |
| Australia Dollar | 2.0185-2.0225 | 0.9205-0.9210 | Belgium | 69.00-69.50 |
| Brazil Cruzeiro | 102-103 | 46.55-47.00 | Denmark | 12.96-13.04 |
| Finland Markka | 8.41-8.46½ | 3.8410-3.8440 | France | 9.59-9.65 |
| Greek Drachma | 87.9312-90.3846 | 40.30-40.60 | Germany | 4.14-4.16½ |
| Hong Kong Dollar | 11.10-11.12 | 5.0630-5.0660 | Italy | 1900-1950 |
| Iran Rial | n/a | n/a | Japan | 545-550 |
| Kuwait Dinar(KD) | 0.599-0.609 | 0.2759-0.2760 | Netherlands | 4.53-4.55½ |
| Luxembourg Frc. | 66.85-66.95 | 30.52-30.54 | Norway | 11.14-11.22 |
| Malaysia Dollar | 4.9275-4.9375 | 2.2475-2.2495 | Portugal | 106½-110 |
| New Zealand Dlr. | 2.3095-2.3145 | 1.0530-1.0545 | Spain | 149½-157¼ |
| Saudi Arab. Riyal | 7.24-7.34 | 3.3300-3.3330 | Sweden | 9.65-9.71 |
| Singapore Dollar | 4.9060-4.9160 | 2.2375-2.2395 | Switzerland | 3.91½-3.93½ |
| Sth. African Rand | 1.7725-1.7745 | 0.8090-0.8100 | United States | 2.189-2.197 |
| U A.E. Dirham | 8.13-8.25 | 3.7370-3.7390 | Yugoslavia | 49¾-51¼ |

Rate given for Argentina is free rate.

## EMS EUROPEAN CURRENCY UNIT RATES

| | ECU central rates | Currency amounts against ECU March 25 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 39.7897 | 40.6147 | +2.07 | +1.12 | ±1.53 |
| Danish Krone | 7.72336 | 7.88325 | +2.07 | +1.12 | ±1.64 |
| German D-Mark | 2.48208 | 2.51984 | +1.52 | +0.57 | ±1.125 |
| French Franc | 5.84700 | 5.85052 | +0.06 | −0.89 | ±1.3557 |
| Dutch Guilder | 2.74362 | 2.75847 | +0.54 | −0.41 | ±1.512 |
| Irish Punt | 0.668201 | 0.674585 | +0.96 | +0.01 | ±1.668 |
| Italian Lira | 1157.79 | 1173.17 | +1.33 | +0.89 | ±4.08 |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## EXCHANGE CROSS RATES

| Mar. 25 | Pound Sterling | U.S. Dollar | Deutschem'k | Japan'se Yen | French Franc | Swiss Franc | Dutch Guild'r | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 2.191 | 4.155 | 546.0 | 9.638 | 3.933 | 4.545 | 1932. | 2.610 | 66.90 |
| U.S. Dollar | 0.456 | 1. | 1.896 | 249.2 | 4.399 | 1.795 | 2.074 | 881.6 | 1.191 | 30.53 |
| Deutschemark | 0.241 | 0.527 | 1. | 131.4 | 2.319 | 0.946 | 1.094 | 464.9 | 0.628 | 16.10 |
| Japanese Yen 1,000 | 1.832 | 4.013 | 7.610 | 1000. | 17.65 | 7.202 | 8.324 | 3538. | 4.779 | 122.5 |
| French Franc 10 | 1.038 | 2.273 | 4.311 | 566.5 | 10. | 4.080 | 4.716 | 2004. | 2.708 | 69.42 |
| Swiss Franc | 0.254 | 0.557 | 1.057 | 138.8 | 2.451 | 1. | 1.156 | 491.2 | 0.664 | 17.01 |
| Dutch Guilder | 0.220 | 0.482 | 0.914 | 120.1 | 2.120 | 0.865 | 1. | 425.0 | 0.574 | 14.72 |
| Italian Lira, 1,000 | 0.518 | 1.134 | 2.151 | 282.7 | 4.990 | 2.036 | 2.353 | 1000. | 1.351 | 34.64 |
| Canadian Dollar | 0.383 | 0.840 | 1.592 | 209.2 | 3.693 | 1.507 | 1.742 | 740.2 | 1. | 25.64 |
| Belgian Franc 100 | 1.495 | 3.275 | 6.211 | 816.1 | 14.41 | 5.876 | 6.794 | 2887. | 3.901 | 100. |

## EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.00-18.10 per cent; three-months 19.00-19.10 per cent; six-months 19.00-19.10 per cent; one year 17.65-17.75 per cent.

| Mar. 25 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | West German Mark | French Franc | Italian Lira | Asian $ | Japanese Yen |
|---|---|---|---|---|---|---|---|---|---|---|
| †Short term | 17⅝-17⅞ | 15¼-15¾ | 8½-9½ | 8¾-9 | 3-3½ | 8½-8⅝ | 12¾-13 | 12-14 | — | 22-24 |
| 7 days' notice | 17¾-18 | 16⅛-16⅜ | 8½-9½ | 9¾-10 | 6-6½ | 8½-8⅝ | 12¾-13 | 12½-14½ | 16⅛-16¼ | 15¾-16¼ |
| Month | 18-18¼ | 17 13/16-18 1/16 | 12¾-13⅛ | 9⅞-10⅛ | 4 3/16-4 7/16 | 8⅝-8¾ | 13⅜-13⅝ | 16½-17½ | 17 11/16-17 15/16 | 16-15¼ |
| Three months | 17⅞-18⅛ | 19 5/16-19 11/16 | 14⅝-15 | 10⅝-10⅞ | 6¾-6⅞ | 9⅛-9⅝ | 13⅞-14⅛ | 18½-19½ | 19⅜-19½ | 15⅜-15⅝ |
| Six months | 18½-18¾ | 19-19¼ | 14¾-15⅝ | 11⅜-11⅝ | 7 5/16-7 9/16 | 9⅞-10 | 14½-14¾ | 19-20 | 19-19⅛ | 15-15¼ |
| One year | 17⅛-17⅜ | 17⅝-17⅞ | 14⅝-15 | 12-12¼ | 7 1/16-7 5/16 | 10-10⅛ | 14⅞-15⅛ | 20-21 | 17 11/16-17 15/16 | 13⅝-13¾ |

Long-term Eurodollar two years 15¾-16 per cent; three years 15¼-15½ per cent; four years 15-15¼ per cent; five years 14¾-15 per cent: nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates n Singapore.

## INTERNATIONAL MONEY MARKET

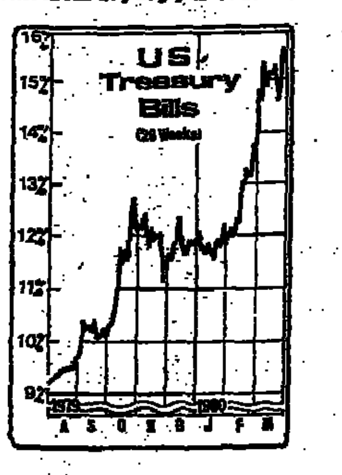
# Dutch call money up

Dutch call money rose sharply in Amsterdam yesterday to 10½ per cent compared with 3 per cent on Monday. Factors draining liquidity in yesterday's market included payment of the latest Fl 730m Treasury bill issue, and the expiry of previous swap agreements. Call money has been around the 10 per cent to 11 per cent level for most of this month, until last Wednesday, when easy conditions saw the rate fall to 5 per cent from 10½ per cent. The rate was cut even further only this Monday from 5 per cent to 3 per cent when Government disbursements led to high levels of liquidity.

In Brussels interest rates were slightly firmer at the short end but showed a distinctly easier trend in the long term periods. One-month deposits were higher at 17⅝-17⅞ per cent against 17½-17¾ per cent, but the six-month rate eased to 17½-17¾ per cent from 17⅝-17⅞ per cent. Euro-Belgian franc deposit rates were also weaker while the franc was steady within the European Monetary System.

In Frankfurt call money was hardly changed at 8.60 per cent against 8.55 per cent previously and period rates also showed little movement.

In Paris short term money rose slightly to 13 per cent from 12⅞ per cent. This is the same as the Bank of France's official intervention level, which rose to 13 per cent from 12⅞ per cent last Thursday. Longer term rates were unchanged.




## GOLD

# Weaker trend

Gold fell $25 to close at $538-543 in fairly active London bullion trading, reflecting the strength of the dollar and continuing high interest rates around the world. The metal opened at $543-548 and was fixed at $548.50 in the morning and $547.25 in the afternoon. The highest level touched was $546-551, but shortly after the London close was quoted around $530 in New York.

In Paris the 12½ kilo gold bar was fixed at FFr 77,950 per kilo ($551.30 per ounce) in the afternoon, compared with FFr 77,950 ($551.48) in the morning, and FFr 78,300 ($554.18) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,219 per kilo ($546.06 per ounce), compared with DM 33,795 ($556.00) previously.

| | Mar. 25 | | Mar. 24 | |
|---|---|---|---|---|
| **Gold Bullion (fine ounce)** | | | | |
| Close | $538-543 | (£246-247½) | $563-568 | (£258-260½) |
| Opening | $543-548 | (£247½-250) | $545-550 | (£250½-253) |
| Morning fixing | $548.50 | (£250.011) | $544 | (£249.141) |
| Afternoon fixing | $547.25 | (£249.090) | $558.25 | (£255.761) |
| **Gold Coins** | | | | |
| Krugerrand | $550-555 | (£250-253) | $581-586 | (£266-269) |
| Mapleleaf | $540-550 | (£246-251) | $570-580 | (£261-266) |
| New Sovereigns | $135-138 | (£61½-63½) | $144-147 | (£66-68) |
| King Sovs | $153-156 | (£69¾-71⅛) | $158-162 | (£72-75) |
| Victoria Sovs | $154-157 | (£70-72) | $158-162 | (£72-75) |
| French 20s | $128½-131½ | | $132-138 | |
| 50 pesos Mexico | $658-668 | | $687-697 | |
| 100 Cor. Austria | $528-536 | | $545-556 | |
| $20 Eagles | $660-670 | | $675-685 | |
| $10 Eagles | — | | — | |
| $5 Eagles | — | | — | |

## UK MONEY MARKET

# Further shortage

**Bank of England Minimum Lending rate 17 per cent (since November 15, 1979)**

Day to day credit continued to be in short supply in the London money market yesterday, and the authorities gave assistance on an extremely large scale. This comprised small purchases of Treasury bills and a small number of local authority bills from discount houses and banks, with some of each for resale at future dates. In addition they bought a large number of eligible bank bills, all of which are for resale at future dates. The help was made up with large loans to 3 or 4 houses at MLR for repayment today.

The market was faced with the repayment of Monday's large official lending and a small increase in the note circulation. Banks brought forward balances some way below target and revenue transfers to the Exchequer exceeded Government disbursements by a small amount. There were no significant factors in the markets' favour. Discount houses were paying up to 17 per cent for secured call loans at the start with late balances still commanding 16½ per cent or more. In the interbank market overnight loans opened at 17¼-17½ per cent and rose to 17½-17¾ per cent, staying in the 17½-17¾ per cent range until quite late, when closing balances were taken around 18 per cent.

*Rates in the table below are nominal in some cases.*

## MONEY RATES

**NEW YORK**

| | |
|---|---|
| Prime Rate | 19 |
| Fed. Funds | 17¾-17⅞ |
| Treasury Bills (13-week) | 16.15 |
| Treasury Bills (26-week) | 15.85 |

**GERMANY**

| | |
|---|---|
| Discount Rate | 7 |
| Overnight Rate | 8.60 |
| One month | 9.15 |
| Three months | 9.75 |
| Six months | 10.10 |

**FRANCE**

| | |
|---|---|
| Discount Rate | 9.5 |
| Overnight Rate | 13 |
| One month | 13.4375 |
| Three months | 13.5375 |
| Six months | 13.9375 |

**JAPAN**

| | |
|---|---|
| Discount Rate | 9 |
| Call (Unconditional) | 12.1875 |
| Bills Discount (three-month) | 13.8125 |

## LONDON MONEY RATES

| Mar. 25 1980 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount market deposits | Treasury Bills ♦ | Eligible Bank Bills ♦ | Fine Trade Bills ♦ |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 17¼-18 | — | — | — | 17½-17⅞ | 16⅛-17 | — | — | — |
| 2 days notice | — | — | 17⅞-18¼ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | 17⅞-18⅛ | 16⅞-17 | — | — | — |
| 7 days notice | — | 17⅝-17⅞ | 18-18½ | — | 18¼ | 18¼-18⅜ | 16¾ | 16 3/32 | 17¾ | 18¼ |
| One month | 18 1/16-17 15/16 | 18-18⅛ | 18⅜-18⅛ | 19-18⅝ | 18⅜ | — | 16⅝ | 16⅛-16 [illegible] | 17 9/16 | 18⅛ |
| Two months | 18 1/16-17 15/16 | 18 5/16-18 3/16 | — | 19⅛-18¾ | 18 7/16 | 18¼ | 16⅝ | 16 1/16 | 17⅝ | 17⅝ |
| Three months | 18 1/16-17 15/16 | 18 5/16-18 3/16 | 18¾-18⅞ | 18¾-18¼ | 18 3/16 | 18 | — | — | 16 9/16-16 7/16 | 16⅞ |
| Six months | 17 13/16-17⅝ | 17¾-17⅞ | 18⅛-18⅜ | 18-17½ | 17½ | — | — | — | — | — |
| Nine months | 17 7/16-16⅞ | 17⅛-17¼ | — | 17¾-17⅝ | 17 5/16 | — | — | — | — | — |
| One Year | 16¾-16⅝ | 16⅞-17 | 17¾-17⅞ | 17⅜-17 | — | — | — | — | — | — |
| Two years | — | — | 16⅞-17¼ | — | — | — | — | — | — | — |

Local authorities and finance houses seven days' notice, others seven days fixed. *Long-term local authority mortgage rates nominally three years 16¾-16½ per cent; four years 16¾-16¾ per cent; five years 16⅞-16¾ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 17¼-17 5/16 per cent; four-month trade bills 17⅞ per cent.

Approximate selling rates for one-month Treasury bills 15 15/16 per cent; two-month 16 1/16 per cent; three-months 16 1/32-16⅛ per cent. Approximate selling rates for one-month bank bills 17⅝ per cent; two-months 17 7/16 per cent; three-months 17½ per cent; one-month trade bills 18 per cent; two-months 17⅞ per cent; and three-months 17⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 18 per cent from March 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 16.2071 per cent.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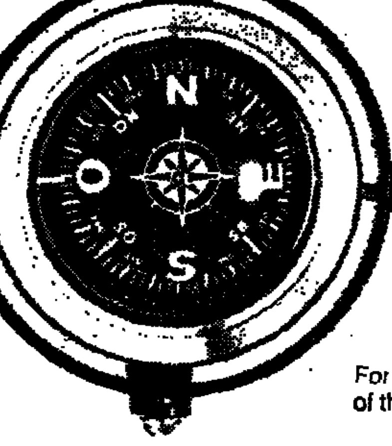


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Wednesday March 26 1980

# Port of Dover

**Dover is capable of handling 50,000 passengers and 8,500 cars a day without difficulty. Two new berths are being built to handle the demands of the 80s, but the prospect of a channel tunnel makes the port's future developments uncertain. WILLIAM HALL reports.**

## Terminal growing to meet demand

THE DOVER Harbour Board has a distinguished ancestry, having been established in 1606 by Royal Charter from James I. But despite its noble past, Dover feels that it has more in common these days with Heathrow Airport than with other seaports.

It is a relatively small port and is geared to accommodate a very high throughput of traffic. In August, over 50,000 passengers and 8,500 cars a day pass through Dover on average. At the peak of the tourist season there are more than 100 ferry departures daily and 19 hovercraft departures.

Dover never sleeps. Unlike many ports across the channel it operates 24 hours a day Even during the depths of winter ferries are always moving in and out of the port and commercial traffic is arriving and departing through the dock gates at every hour of the day and night. This year, Dover will probably handle over 10m passengers, 1.2m cars and 550,000 commercial vehicles. To put these figures in context Heathrow handles 28m passengers a year and Gatwick 8.7m.

Like Heathrow Airport, space is at a premium at Dover and traffic has to be kept moving or congestion will quickly follow.

The £12m investment in two new berths, 5 and 6, on the site of the old hoverport terminal in the Eastern Docks is designed to meet the traffic demands of the 1980s and prevent congestion as far as possible.

Preliminary studies were undertaken in 1976 and it was first thought that the berths would not be needed until 1981. But, as so often happens in Dover, traffic grew faster than expected and by late 1977 discussions were under way about the construction of the new berths.

Such schemes cannot be undertaken in isolation. Both Sealink and Townsend Thoresen were considering building new and larger ferries, and the resultant new berths are tailor-made for their new jumbo ferries. Unloading will take place on two levels which means that four lanes of cars can be discharged at the same time. Meanwhile passengers will be routed through covered walkways to the shore.

The project received approval in 1978 and Mears Contractors, a company long connected with Dover, started construction in 1979. Some 25,000 square metres of land have had to be reclaimed and 500,000 tons of fill material have been brought in from the Goodwin Sands.

The project is running slightly behind the original schedule, but the first berth should be ready by June and the second one shortly after.

Once completed, berths 5 and 6 will be Dover Harbour Board's biggest investment to date and will be matched by an £80m investment in five new ferries. Sealink is bringing two Harland and Wolff ferries into service this year and next, and Townsend Thoresen should have all three of its new German-built ferries in service by the end of the year.

### Ample capacity

For the first time for a long time there will be more than enough ferry capacity to meet the demands of the peak summer period (P & O has also brought on a third ferry for its Dover-Boulogne service).

The only fear that the Dover Harbour Board has at the moment is that the breakdown of the fare pooling arrangements may lead to some unnecessary congestion. In the past, the Dover authorities have been strong supporters of the system whereby tickets were inter-changeable between the two main operators since it meant that if one ferry was full, passengers could be switched to another.

This system has now disappeared and all the major operators are charging different prices. The problem is that travellers might either try to switch their bookings at the last moment, causing confusion, or turn up without reservations.

The Dover Harbour Board has conditioned itself for the new regime of the cross channel price war and will be trying out its new systems over the Easter holiday. There may be some initial confusion and congestion but the board seems confident that given the excess capacity on the Channel it should not cause much of a problem.

A far greater problem for Dover is the reappearance of the various channel tunnel schemes. For the past 20 years, Dover has laboured under the threat of the possibility of the construction of a channel tunnel.

Channel tunnel "blight" is frequently blamed for many of Dover's current problems. The possibility of a tunnel being built has meant that Whitehall set Dover very strict financial targets in relation to any planned investment project.

Whereas a normal port project might be expected to be amortised over a 20- to 25-year period, Dover was only given 5 to 7 years for many of its projects. The result is that many of them are smaller than Dover would have liked and are constantly having to be enlarged at ever higher prices. This is particularly onerous when it comes to the cost of reclamation.

In the mid-1970s the tunnel project appeared to be abandoned for everyone's lifetime and Dover went back to planning its long-term future. Unfortunately, talk of a tunnel has reappeared and Dover seems set for another period of uncertainty.

Dover is concerned about any prospective tunnel for two main reasons. The first is that the presence of any scheme will lead to another outbreak of tunnel planning "blight" and schemes for the next decade will have to be put on ice. More important, it quite naturally believes that the present system of cross-channel ferries are more flexible and far cheaper than any tunnel.

In principle, Dover is not anti-tunnel. It only insists that any venture should be commercially priced. It fears that once the tunnel has been built, the operators will overlook their capital costs and will price their services on a purely marginal cost basis. This would undermine the conventional ferry operators and lead to the decline of Dover.

However, Dover's biggest argument, which is difficult to challenge, is that the existing system is both cheaper and more efficient than any planned tunnel. Dover services five Continental ports whereas a tunnel would only connect with one place.

Dover admits that rail freight may have long-term advantages over commercial vehicles and there is a need for better rail connections with the Continent. But it believes that these can be provided within the framework of the current ferry services.

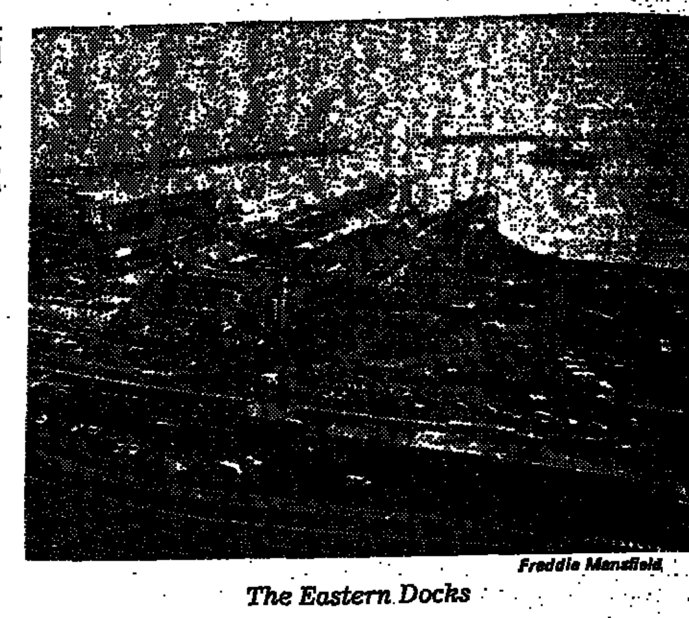
The Dover Harbour Board has long been irritated by the fact that British Rail has never made more of an effort to develop its premises in the Western Docks which it leases for a token £5 until 2004. Indeed, a large part of the Admiralty Pier leased to British Rail is used for cleaning carriages and is entirely unrelated to Dover's port activities.

For a port as short of space as Dover, this sort of underuse is annoying and explains why so much of the post-war development of the port has looked rather lopsided. Apart from the new hoverport, virtually all the expansion has taken place in the Eastern Docks which are under the direct control of the Dover Harbour Board.

Dover argues that it would be relatively easy and cheap to boost the port's rail traffic. It is not necessary to build a tunnel. An outlay of £300m or so would be sufficient to put increased rail facilities and ancillary ships in place.

Dover has two railway stations, Dover Priory and Dover Marine, and its potential as a cross channel port would be enhanced tremendously if the local rail facilities were improved. A rail extension to the hoverport is mentioned elsewhere in this survey and a link with the Eastern Docks would also make sense for foot passengers.

However, it is no use improving Dover's rail facilities if the inland facilities are not modernised and trains scheduled to go faster between Dover and London. For these sort of reasons Dover's future plans will be closely affected by British Rail's thoughts on the future of cross channel communications. Dover's room for manoeuvre is less than it might like to think.



Freddie Mansfield

*The Eastern Docks*

## Businesses expand to match port's progress

IT IS easy to take Dover for granted. Its ferries shuttle back and forth across the Channel with clockwork efficiency and one has to hunt around for a glimpse of a typical dock worker.

However, in terms of value of traffic (£9bn in 1979), Dover is one of Britain's most important ports of entry and departure—probably second only to Heathrow. It also plays a very significant role in the local economy with close to a third of the working population of Dover and Deal employed in work directly related to the port's activities.

Many of the area's traditional industries, such as the Kent coalfield, have been declining for years and port-related activities have been one of the few growth businesses.

A couple of years ago the Dover Harbour Board reported that it employed 700 full-time staff plus another 100 seasonal staff. The shipping companies employed 5,400, and British Rail's Seaspeed hovercraft operation employed another 500.

It was estimated that various Government departments concerned with the port, had about 1,000 staff on their books, and the freight consortia and forwarding agents a further 760. The two motoring organisations, the AA and the RAC, employed a further 100.

In addition, there are the *Trinity House pilots and the* coastguards, not to mention a host of other small enterprises which concentrate on ships' supplies, etc.

The growth of the Port of Dover has spawned many ancillary activities. When the roll-on/roll-off revolution was in its infancy, in the early 1950s, the privately-owned George Hammond group employed half a dozen people.

Today, the Hammond group is one of the largest firms in the Dover area, employing 450 people. Its activities stretch from running a deep sea pilotage service to providing stevedores, storage and customs clearance facilities, and a whole range of traditional shipbroking and forwarding operations. It also runs a Continental trucking service.

While there are not many firms of the size of Hammonds in the Dover area, its growth has been repeated on a smaller scale by many companies associated with the port. Twenty-five years ago there were no more than half a dozen freight forwarders/ships' agents in Dover. Today there are about 160.

### Too many

Everyone admits that there are too many ships' agents, freight forwarders and customs clearance experts (call them what you will) touting for business in Dover. But competition is fierce and the port probably benefits overall. To help reduce the numbers of different bodies dealing with HM Customs, two customs clearing consortia—Dover Freight Group (DFG) and Dover Clearance Service (DCS)—have been established. Their presence helps to reduce the confusion.

This small army of ships agents has replaced the traditional docker in terms of importance as far as Dover is concerned—they represent the sharp end of Dover's marketing effort. They do everything from booking ferry space and arranging payment of freight charges to helping drivers find the way through the maze of docks and plethora of customs paperwork.

On the other side of the fence there are the Customs and Excise officials and one cannot help feeling some sympathy for this much maligned group.

Over the last decade the Customs and Excise officials have had to cope with a major reorganisation of their service, the advent of VAT (which absorbed many of their staff) plus the phasing in of EEC tariffs.

On the passenger side, the customs organisation has found it relatively easy to cope with the steady increase in Dover's traffic. Thirty years ago a car might take one and a half hours to be cleared through the port. Nowadays it takes an average of less than ten minutes from leaving the ship to getting out of the dock gates. The red and green lanes have simplified customs procedure greatly.

However, for freight there have been greater problems associated with Dover's phenomenal growth. In October 1978 the new CPT Import Clearance System was introduced as an interim measure before the uniform system of import clearance known as DEPS. The new system had a number of teething problems, and there are still complaints that customs clearance is not as rapid at Dover as at Folkestone.

The position of the customs authorities at any port is a difficult one and at Dover it is more tricky than normal becouse the authorities have to balance the need to do their job effectively against the pressure from the port officials to clear the traffic quickly. With space at such a premium, any delays in customs clearance quickly cause congestion. The local customs officials seem to manage the balancing act surprisingly well according to most observers.

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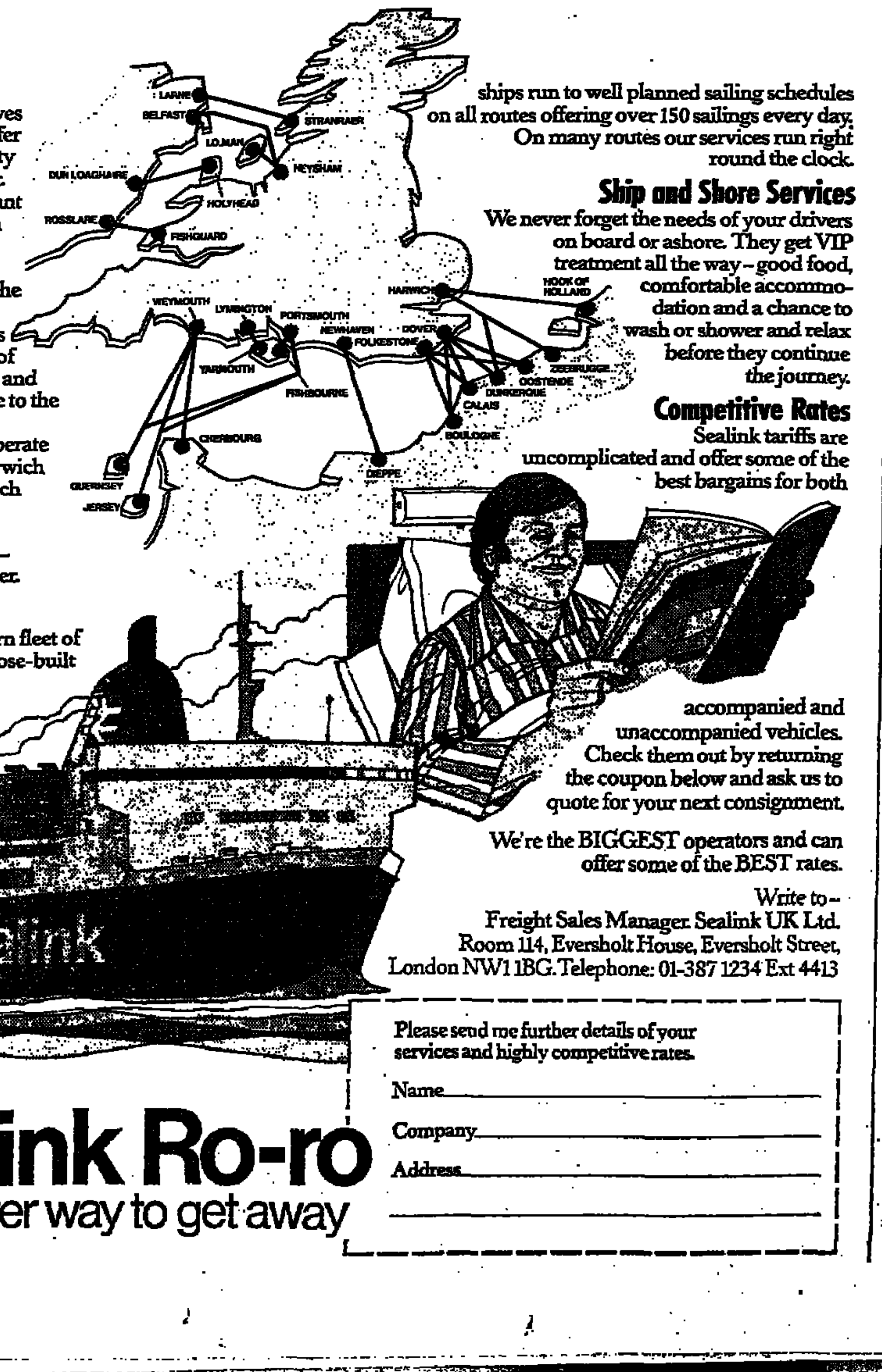


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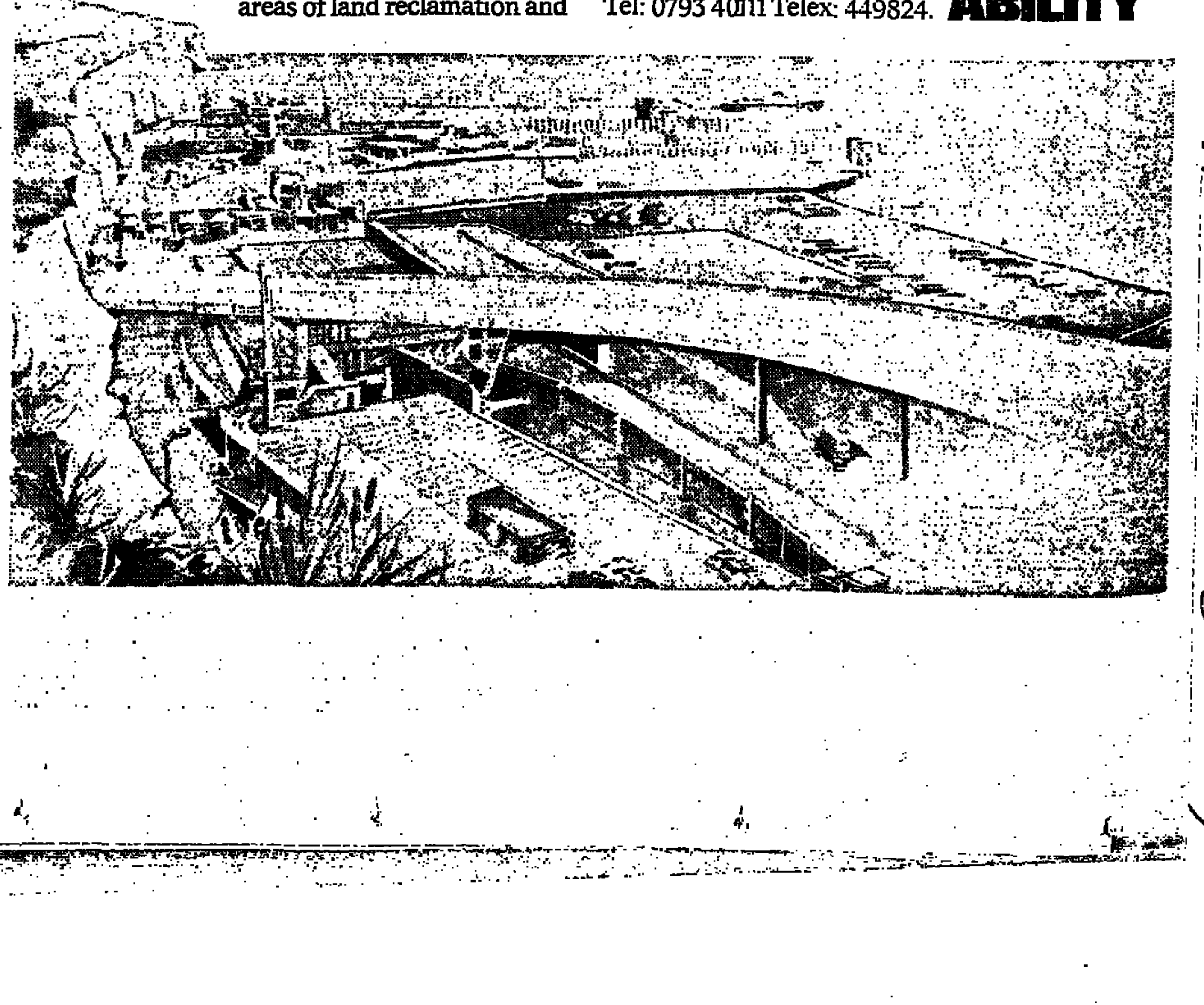


## PORT OF DOVER II

# Traffic is barometer of nation's health

IN THE good old days, American stockbrokers used to follow religiously the statistics of box-car movements on the U.S. railway system. The weekly figures were scrutinised in an effort to detect any change in the country's economic pulse. Investment decisions were sometimes based on nothing else.

This particular investment fad is no longer in vogue, but observers of the British economy could do a lot worse than monitor monthly movements through Dover. They tell a lot about the nation's economic health once one has learned how to interpret the figures. Dover is a sensitive barometer and any change in Britain's economic heartbeat shows up instantly.

The office of Mr. Donald Soppitt, Dover's director of operations, is decorated with countless graphs and charts. Half-term holidays, strikes at rival ports and industrial unrest on the Continent are all pencilled in to explain unexpected peaks or troughs in the monthly traffic flows.

For instance, the present tough economic climate in Britain is affecting Dover's commercial traffic in a number of ways and not all of them are predictable. The number of empty vehicles crossing the channel has dropped sharply recently as operators try to maximise their vehicles' earnings and the average size of load has increased. In addition, the number of unaccompanied trailers is starting to rise as road hauliers try to use their tractor units more efficiently.

On the tourist side it is easy to spot the initial influence of the sharp rise in fuel prices. Since 1973 the growth in car traffic has slowed markedly and traditional foot passenger traffic has started to grow faster than before. Meanwhile, coach traffic has jumped dramatically — doubling since 1975.

However, Dover officials have always realised that it is dangerous simply to extrapolate current trends. Ten years ago no one would have expected that Dover's freight traffic would have grown as fast as it has done, especially given the stagnant UK economy. In addition, the hovercraft had not established itself and no one had even begun talking about high-speed jetfoils.

Undoubtedly, Dover has some big advantages such as its proximity to France and its huge harbour built by courtesy of the Admiralty last century. But it also has its disadvantages of which far and away the most important is the acute shortage of space. Only by remaining flexible has it been able to retain its position as Britain's premier roll-on/roll-off port.

Before World War II, Dover was *very much a railway port* and dependent on the presence and patronage of the Southern Railway. Rail travellers were the port's staple diet and the Southern Railway Company was a power in the land.

However, it was Captain Stuart Townsend, a *British* Artillery officer, who launched Dover *into the car ferry business*. Before the war, Captain *Townsend had operated a converted* coaster, Artificer, which *carried 15 cars*. Vehicles were lifted on to the ship by crane and passengers travelled across the Channel by a Southern Railways ferry.

Captain Townsend realised that car owners would like to travel with their cars and after the war he purchased a second hand naval frigate, the Halladale, which he converted into a car ferry. This operated until 1961 when the first purpose built *Townsend ferry*—Free Enterprise I—entered service.

*The success of* Captain Townsend's ferry company spawned competitors and in 1953 Dover built the first car ferry berth in Britain. By 1957 Townsend was carrying 15,000 cars and 50,000 passengers a year. By contrast, Townsend Thoresen's three new super ferries now being introduced on to the Dover-Calais run have a combined daily capacity of 40,000 passengers and 10,000 cars, which gives some idea of the growth of traffic in the intervening period.

Throughout the 1950s and early 1960s Dover prospered on the back of the steady growth in tourist car traffic and rising living standards, which meant that more and more people were able to afford to take holidays abroad. In 1964 a third car ferry berth was constructed.

However, the tourist market was highly seasonal and for large parts of the year Dover's facilities were underused. In 1965 the Dover Harbour Board, on the prompting of the new general manager, Mr. Ken Davis, started to encourage commercial traffic.

With hindsight this seems a logical thing to have done, but at the time there was considerable opposition from some people who did not want to see the port littered with dirty commercial vehicles.

*In 1967 under 22,000 commercial* vehicles passed through Dover. *Last year 500,000 lorries* (roughly 1,400 a day) passed through the port and for most of the 1970s the Dover Harbour Board has been doing little else but trying to keep pace with a growth in commercial traffic which has been running at 15 per cent per annum in recent years.

Given the sluggish state of the British economy for most of the 1970s, the spectacular growth in Dover's road haulage traffic is surprising. There has been a number of contributory factors. The decline of London as a major port has been one of the most important, and *Dover has captured much of its* former trade.

*A number of operators, such* as Sealink and P & O Ferries, *has followed the lead of Town*send Thoresen and cultivated commercial traffic. Initially, this provided a welcome bonus on top of the summer tourist traffic but as time went on it became increasingly important and freight now contributes roughly half the ferry operators' profits.

*Commercial* hauliers have been attracted to Dover for a *variety of reasons. It is* the shortest sea crossing and as a *result, drivers waste the least* possible amount of driving time. *In addition, haulage companies* like to send drivers with loads *since it means that there is less* likelihood of their vehicles *being kept waiting on the quay*side.

### COACH AND RAIL TRAFFIC

| | Coaches | Rail wagons (laden) |
|---|---|---|
| 1975 | 24,210 | 23,604 |
| 1976 | 27,120 | 23,796 |
| 1977 | 33,457 | 28,449 |
| 1978 | 39,807 | 27,967 |
| 1979 | 49,182 | 35,049 |

Today, Dover is far and away Britain's *most important port* for accompanied commercial *vehicle* traffic. In itself, this benefits Dover since it means that there are fewer unaccompanied trailers standing around.

For a port as short of space as Dover is, this is a critical factor and the number of idle trailers is watched closely. The average waiting time for unaccompanied trailers has been reduced from 4-5 days to 1.7 days over the last decade and, with the help of stricter demurrage policies, Dover hopes to reduce the waiting time still further.

At the moment the Dover *Harbour Board is budgeting for* an annual increase in commer*cial vehicles of 40,000 per* annum in the 1980s, which indi*cates that the percentage* growth is likely to tail off as the *market reaches maturity.*

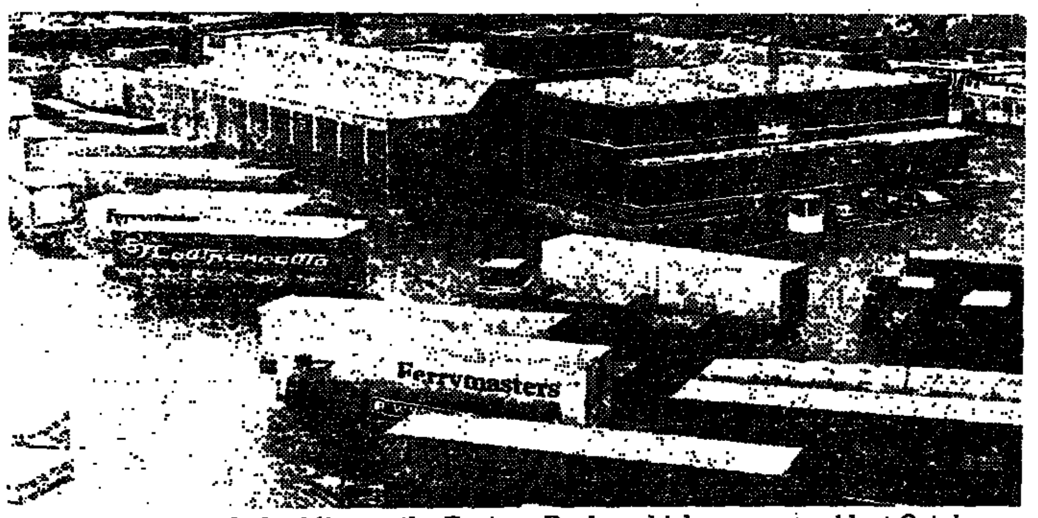
On the passenger side there *is a number of uncertainties* involved in forecasting future growth levels. Higher fuel prices, the current price war on the channel ferries and the introduction of new craft such as hydrofoils—not to mention the possible channel tunnel all make forecasting difficult. Dover Harbour Board officials tentatively talk of a 5 per cent per annum growth in tourist traffic, but no one is at all sure.

Higher fuel prices might be expected to curb tourist car traffic, but on the other hand they could lead to people taking "cheaper" camping holidays abroad as opposed to relatively expensive package holidays in far away places like Greece. By the same token, price cutting on the cross channel ferries could lead to an explosion in off-peak travel and a resurgence of the classic foot passenger.

Already, Dover is experiencing a surge in coach passenger traffic *as tourists leave their* cars at home. All the major *operators are trying to* lure coach parties on to their respective ferries or hovercraft. Just over 24,000 coaches crossed the channel five years ago. Last year close to 50,000 crossed the channel and over 60,000 could cross in the current year.

Another area of the port which has started to flourish again is rail traffic — long neglected by shippers who preferred the flexibility of com*mercial vehicles. The number* of laden rail wagons, for *example*, has increased from 24,000 in 1976 to 35,000 in 1979. As fuel prices soar, rail becomes more competitive and many observers believe that with more aggressive marketing Dover's rail traffic could be expanded considerably.

For these sorts of reasons Dover will have to keep its options open in the 1980s. It has responded to previous shifts in transport patterns and intends to anticipate future trends. With the completion of berths 5 and 6, Dover believes it has enough capacity to cope *with expected demand until* 1985-86. However, it is already *working on its plans for* expansion in the late 1980s and early 1990s.



*The export freight building at the Eastern Docks, which was opened last October*

# Cut-price crossings bring surge in business

FEBRUARY WAS the first month when the two main ferry companies, Sealink and Townsend Thorensen, started cutting their fares to attract off-peak travellers and it has led to a surge in volume in what is normally the port's slackest month. Sealink for example was reducing its £100 fares to £20 for a car plus two passengers.

*The number of passengers* carried during February jumped by 55 per cent to 394,941 and tourist cars were 64 per cent up at 60,276. By *contrast the number of com*mercial vehicles travelling *through Dover fell by 4.5 per* cent and other unitised freight was 24 per cent down.

The UK steel strike is partly to blame and Dover believes that at least 60 vehicles a *week* are not coming through the port as a result of the steel strike.

Nevertheless the amount of cargo moving through the port rose by 15 per cent, implying that road hauliers are using their vehicles more intensively.

# Hovercraft lure ferry users

THE FIRST hovercraft started operating out of *Dover in* August, 1968, but it was not until *last year that the hover*craft really came of age. In *1979 British Rail's* hovercraft subsidiary, Seaspeed, carried *1.2m* passengers and 186,000 cars.

*The number of passengers* doubled in 1979 and Seaspeed *now reckons that it has 16 per* cent of the short-sea market. *Altogether Seaspeed operates* three giant hovercraft—two "stretched" Super-4s and the French-built, Sedam N500.

All three travel at up to 60 mph, and carry over 400 passengers and 60 cars. The normal crossing time between Dover and Calais is 34 minutes, but Seaspeed has done it in 24 minutes.

The speed of the hovercraft is now luring an increasing number of passengers away from conventional ferries. Last year the three hovercraft accounted for over 80 per cent of the *714,000* increase in Dover's passengers. They also carried an extra *80,000 cars* which meant that they were *taking traffic* away *from the* conventional ferries since the *overall car market* stagnated during 1979.

*The other ferry operators* have started to regard the *hovercraft* with some alarm. Townsend Thoresen, for example, has been at pains to stress the increased speed of its new generation of jumbo ferries which are scheduled to cross the channel in 75 minutes as opposed to the normal 90 minutes. In addition, Seaspeed's imaginative marketing has started to make inroads into the offpeak travel market —an area the big operators had largely *ignored while they* maintained their cosy price fixing cartel.

However, the establishment of hovercraft in Dover has not been trouble free. The first generation of hovercraft operated from the Eastern Docks, and apart from getting *in the way of the big ferries*, they often had to cancel their *trips because of bad weather.*

As the craft improved in terms of *seakeeping ability*, other difficulties arose. British Rail's *financial problems* delayed investment in new *equipment* and Seaspeed's partners across the channel *insisted* on pioneering their own French-designed hovercraft which has been dogged by technical problems and has reduced the overall reliability of the Seaspeed service.

In 1976, plans for a new and much larger hovercraft terminal in the Western Docks were unveiled, but straight away they ran into local opposition because of the potential noise threat to local residents.

### HOVERCRAFT TRAFFIC

| | Services (no.) | Passengers ('000) | Cars ('000) |
|---|---|---|---|
| 1975 | 3,828 | 592.9 | 85.8 |
| 1976 | 5,096 | 710.2 | 106.4 |
| 1977 | 3,278 | 502.6 | 70.7 |
| 1978 | 3,302 | 607.2 | 89.0 |
| 1979 | 5,685 | 1,204.3 | 170.5 |

These objections *were over*come and work on the £9m hoverport *started. It was a* joint operation between British *Rail and the Dover Harbour* Board and involved the reclam*ation of 15 acres of* land from the sea. The new hoverport is close to the existing railway *in the Western Docks* and the plan is that at some stage a *rail spur* direct to the hoverport terminal will be built. The hoverport can accommodate up to six large hovercraft and has a capacity for about 3m passengers and 500,000 cars per annum.

Clearly, Seaspeed's hovercraft operation has room for considerable expansion. It is known to have its eye on the rival Hoverlloyd operation, along the coast at Pegwell Bay, and the merger of the two operations, which carry roughly the same amount of traffic, would give the combined group around a third of the short-sea cross-channel market.

Hoverlloyd, *currently owned* by the Swedish Brostroms *group, is known to be up for* sale and there would be con*siderable savings in overheads* if the organisations were *merged*. It would better use Seaspeed's expensive new terminal at Dover and perhaps force British Rail to build the long promised rail spur to the hoverport.

However, the major obstacle to this logical move is British Rail's acute shortage of cash.

In the meantime Seaspeed is doing its best to expand its existing business. It has recently cut *some of its off-peak fares to* encourage foot pasengers on its early morning flights and at *certain times of the day* Seaspeed is the cheapest way to *cross the Channel.*

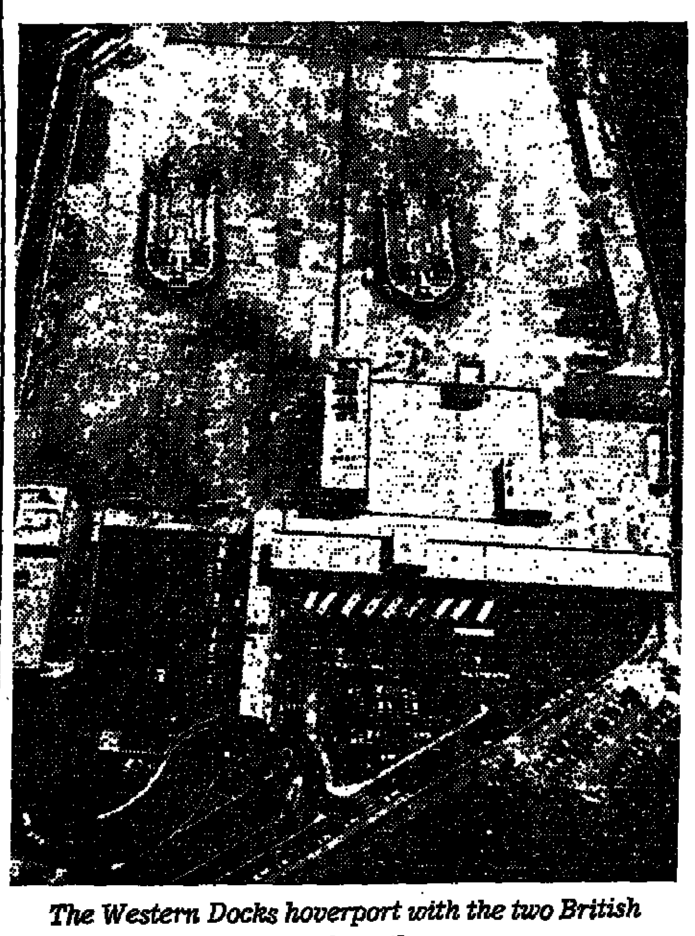
It has also decided to move into the freight market and is building a specialist freight terminal.

Aside from the hovercraft, Dover is soon to play host to a highspeed hydrofoil service which will be operated by Belgium's Regie voor Maritiem Transport (RTM). RTM has ordered two Boeing jetfoils and plans to start operating them between Dover and Ostend in 1981.

For the past 50 years there has been little change in the speed of the cross-Channel ferries—if anything they have got slower. So both the hovercraft and the hydrofoil are major developments, since they are up to three times as fast as a traditional ferry and can turn around much more quickly.

Against this they are very expensive in terms of fuel consumption and this could be their downfall. For a number *of years Seaspeed, British Rail's* hovercraft arm, pegged its *prices to those of its older* sister organisation Sealink.

However, *with sharply rising* fuel prices Seaspeed has been *forced to increase its prices. It* believes that travellers will be *prepared to pay a 10-15 per cent* premium for the privilege of travelling faster across the Channel. But this still has to be proved.

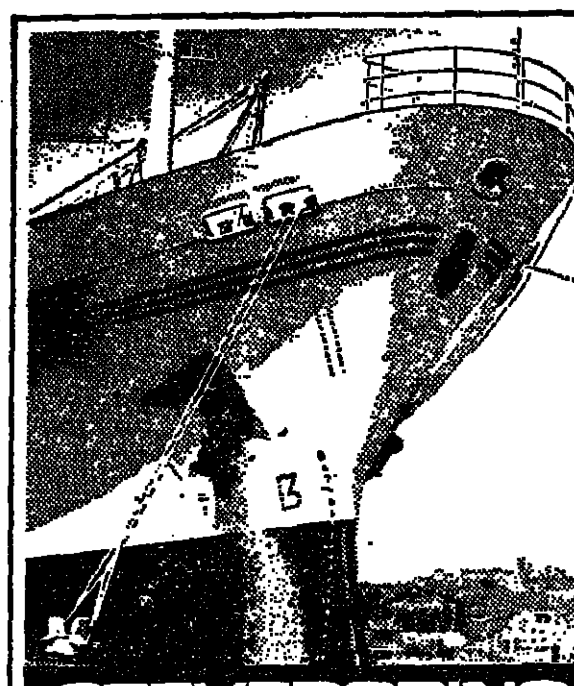

*The Western Docks hoverport with the two British Super-4 craft on the apron*

### WHAT IT COST TO CROSS

The *short sea route between* Dover and the Continent has long had a reputation as the most expensive stretch of water to cross in the world. The operators argue that the highly seasonal nature of the traffic (55 per cent of passengers travel in the four summer months) means that they have to charge high prices to cover the costs of maintaining the service during the winter months. Although the prices are slightly out of date, the following table shows the relative costs for a family of four plus car of different short sea routes around the world.

| | Distance km | £/km |
|---|---|---|
| **Europe** | | |
| Dover-Calais | 38 | 0.96 |
| Copenhagen-Landskrona | 25 | 0.34 |
| Gedser-Warnemunde | 55 | 0.26 |
| Frederikshaven-*Gothenburg* | 85 | 0.16 |
| Gibraltar-Tangier | 52 | 0.60 |
| **North America** | | |
| Victoria-Port Angeles | 30 | 0.25 |
| ***New Zealand*** | | |
| Wellington-Picton | 75 | 0.38 |

Source: Paper given to international seminar on the Management of the Littoral. May, 1979.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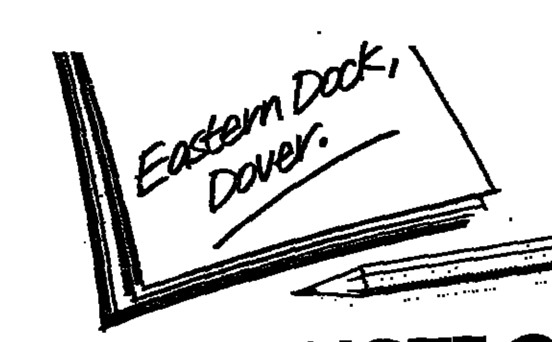

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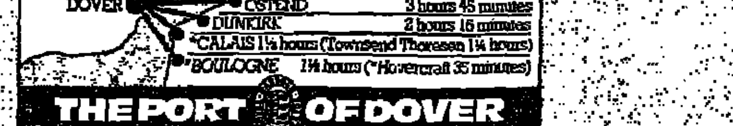

THE PORT OF DOVER
Dover Harbour Board, Harbour House, Dover, Kent CT17 9BU. Telephone: 0304 206560. Telex: 965619.
Eastern Docks Terminal (24 Hours) 0304 201681. Telex: 965820.

# WORLD STOCK MARKETS

# Early Wall St. recovery fades

AFTER MONDAY'S further heavy setback, Wall Street showed signs of recovery early yesterday as many key issues improved. However, this better tone later faded to leave stocks predominantly lower on balance at mid-session after active dealings.

The Dow Jones Industrial Average, which fell 19.7 on Monday to its lowest level since April 6, 1978, had regained 5.55 by 11 am yesterday, but by noon was only 0.17 above the overnight level at 765.61. The NYSE All Common Index was a net 29 cents lower at $56.18, after touching $56.63, while declines led advances at mid-session by about a three-to-one margin. Trading volume amounted to 25.54m shares, well above the previous day's noon total of 18.58m.

Analysts attributed the early rally in some of the larger capitalisation issues to comments from Wage and Price Council Director Robert Russel that inflation may have peaked in February. The Labour Department reported that consumer prices *rose 1.4 per cent in February*, the same rate as in January.

Analysts added, however, that investors continued to sell shares purchased on credit to cut carrying costs.

Oils, which firmed at the outset, later mainly lost ground. Volume leader **Mobil** shed 2⅞ to $64½, **Gulf Oil**, in second place, ¾ to $38⅛, and **Texaco** ¾ to $32⅞.

Despite news that Kuwait is to cut back British Petroleum's quota of oil, **BP** rose 1½ to $30⅜. **Superior Oil** gained 4½ to $132.

Active **Boeing** declined ½ to $52, but **General Dynamis** added 1¼ at $66¾. Later in the day, the Defence Department was expected to name the winner of an air-launched cruise missile competition between the two companies.

**J. Ray McDermott** lost $1 to $24½ but **General Public Utilities** put on ⅜ to $4½. The latter is suing McDermott and its Babcock and Wilcox unit for $500m over the nuclear accident at Three Mile Island. Babcock built the GPU plant.

THE AMERICAN SE Market Value Index was 3.18 weaker at 237.99 at mid-day. Volume 3.54m shares (1.90m).

**Closing prices for North America were not available for this edition.**

## Tokyo

With sentiment depressed by the sharp overnight fall on Wall Street, Tokyo shares displayed a downward bias yesterday in another moderate business.

The Nikkei-Dow Jones Average receded 35.99 to 6,531.26 and the Tokyo SE Index declined 1.33 to 453.67, while falls outnumbered gains on the First Market section by 374 to 244 after turnover of 230m shares (270m).

Amid the depressed mood, such energy stocks as Oils and Coals were sold. Precision Machineries and Pharmaceuticals which had advanced in the previous session, moved lower, while Metals and Non-ferrous Metals also eased. Large-capital issues, including **Sumitomo Metal** *Industries, retreated on profit-taking.*

In contrast, Foods, Shippings and some Motor issues moved ahead, while a number of defence-related stocks, such as **Kawasaki Heavy Industries**, advanced on speculative buying.

**Nippon Oil** lost Y50 to Y2,190, **Mitsui Mining** Y19 to Y600, **Mitsubishi Oil** Y24 to Y461, **Mitsubishi** Y12 to Y705 and **Mitsui Mining and Smelting** Y5 to Y148.

Calpis, however, rose Y18 to Y520, **Nissan Motor** Y19 to Y690, **Honda Motor** Y15 to Y570, ***House Food*** Y13 to Y728 and **Nippon Yusen** Y13 to Y311.

## Germany

Bourse prices further weakened, taking the Commerzbank index down 6.3 more to a new 1980 low of 673.0, reflecting the rising trend of international interest rates and the poor overnight performance on Wall Street.

Rumours were circulating on the market about possible further rises in West Germany's Discount and Lombard rates when the Central Bank Council meets tomorrow.

Traders said the trend of yesterday's session was broadly downward, but noted that a number of shares rallied in late trading, although not enough to lift the broader market out of its doldrums.

Banks and Machine Manufacturers fared the worst. **Bayerische Vereinsbank** fell DM 5.50, **Commerzbank** DM 4 and **Deutsche Bank** DM 2.90.

Among Machines, **Linde** receded DM 5.50, while **Deutsche Babcock** and **KHD** shed DM 3.50 apiece. **MAN** lost DM 7.50.

**BASF** shed DM 2.60 in Chemicals and **Volkswagen** DM 2.50 in Motors.

Bonds, both for Domestic and Euromark issues, closed the session on a narrowly mixed basis. Deutsche Bundesbank intervened to sell a relatively insignificant DM 1.9m nominal of public paper.

## Paris

The market retreated in a moderate business, more than erasing the previous day's recovery on bargain hunting. The CAC General index receded 1.4 to 103.5.

Market observers said the psychological impact of the heavy losses recorded on the New York market overnight was the sole reason behind the depressed sentiment on the Paris Bourse.

Falls led gains by 142 to 31 in the French section, where Banks were mostly in demand in contrast to the generally weak trend.

Closing substantially lower were **Banque Rothschild**, **Midi**, **Mumm**, **Maisons Phenix**, **Kleber**, **Kali**, **Saunier-Duval**, **Hachette**, **Prematal**, **Signaux**, **Nord-est**, **Merieux**, **Essilor** and **Skis Rossignol**.

## Hong Kong

Stock prices mostly lost fresh ground in moderate activity following the 20-point decline on Wall Street overnight and on growing speculation that U.S. Prime Rate would soon be raised *to 20 per cent*. The Hang Seng index shed 7.20 to 758.13.

Operators were expecting the market to further decline ahead of the Exchange Banks Association Interest Rates Committee meeting this Saturday, when it is widely anticipated that local interest rates will be raised. The growing disparity between local and international rates is the main concern of the market, dealers added.

**Hongkong Bank** were unchanged at HK$21.30, but **Hong Kong Land** lost 30 cents to HK$10.50, **Jardine Matheson** 20 cents to HK$13.80 and **Wheelock "A"** 17.5 cents to HK$3.525. **Cheung Kong** fell 40 cents to HK$18.80, **China Light** 20 cents to HK$17.20, **Green Island Cement** 25 cents to HK$44, **Hang Lung** 20 cents to HK$7.80, **Hong Kong Hotels** 20 cents to HK$26.60 and **New World** 7.5 cents to HK$3.20.

## Australia

Markets tended to drift easier on low volume, with London investors holding off ahead of the UK Budget, and Wall Street's overnight new two-year low depressing sentiment. The Sydney All Ordinaries index shed 7.15 to 777.80.

**BHP** fell 30 cents to A$11.50 and **CSR** 24 cents to A$4.68, while among Minings, **Oakbridge** lost 20 cents to A$3.30, **Western Mining** 18 cents to A$3.90, **Pancontinental** 30 cents to A$6.10, **CRA** 15 cents to A$4.65 and **MIM** 10 cents to A$4.15.

## Johannesburg

Gold shares closed generally easier, but selective issues improved ahead of today's South African Budget, with some overseas interest noted. **Buffels** lost R1.25 to R33.25 and **Elandsrand** 10 cents to R9.00, but **West Drie** rose R1 to R72 and **Vaal Reefs** and **President Brand** 50 cents each to R60.50 and R37.00 respectively.

## NEW YORK

## CANADA

| Stock | Mar. 24 | Mar. 21 |
|---|---|---|
| Abitibi | 19⅞ | 20⅝ |
| Agnico Eagle | 11¾ | 13 |
| Alcan Alumn. | 60¼ | 62 |
| Algoma Steel | 32¼ | 33 |
| Asbestos | 35½ | 35⅞ |
| Bk Montreal | 23 | 23¼ |

## BELGIUM (continued)

| Mar. 25 | Price Frs. | + or − |
|---|---|---|
| Petrofina | 5,070 | −60 |
| Royale Belge | 5,180 | −20 |
| Soc Gen Banq | 2,450 | ........ |
| Soc Gen Belge | 1,394 | −171 |
| Sofina | 3,120 | −20 |
| Solvay | 2,290 | −110 |
| Traction Elect. | 3,360 | −140 |

## HOLLAND

| Mar. 25 | Price Fls. | + or − |
|---|---|---|
| ACF Holding | 64 | −1 |
| Ahold | 67.5 | −0.5 |
| AKZO | 22.5 | −0.5 |
| ABN | 255.5 | −1.8 |
| AMEV | 82.7 | −2.5 |
| AMRO | 54.1 | −0.9 |

## AUSTRALIA

| Mar. 25 | Price Aust. $ | + or − |
|---|---|---|
| ANZ Group | 4.40 | ........ |
| Acrow Aust | 1.00 | ........ |
| Allstate Expl. | 1.10 | ........ |
| Ampol Pet. | 1.06 | −0.04 |
| Assoc. Pulp Pap. | 2.00 | ........ |
| Audimco | 0.30 | −0.02 |
| Aust Cons Ind. | 2.03 | +0.01 |
| Aust Guarant. | 1.35 | −0.02 |

## JAPAN (continued)

| Mar. 25 | Price Yen | + or − |
|---|---|---|
| Lion | 340 | +5 |
| Maeda Cons. | 446 | ........ |
| Makita | 990 | −9 |
| Marubeni | 377 | −2 |
| Marudai | 542 | −12 |
| Marui | 614 | +2 |
| Matsushita | 665 | −4 |
| M'ta Elec Works | 510 | −2 |

## Indices

## NEW YORK ACTIVE STOCKS

# COMMODITIES AND AGRICULTURE

# Cocoa producers seek release of buffer funds

BY JOHN EDWARDS, COMMODITIES EDITOR

COCOA producing countries want to end the International Cocoa Agreement, in its present form and instead use the accumulated buffer stock funds of $210m to help boost market prices.

This was decided at the two-day "summit" meeting of the Cocoa Producers Alliance, attended by heads of state, called to clarify the producing countries position prior to the special meeting of the International Cocoa Council in London starting today.

The Council meeting was called in an attempt to salvage something from the abortive talks earlier this month, when producers and consumers failed to agree on negotiations for a new International Cocoa Agreement to replace the present pact that is due to expire on March 31.

Producers at the Ivory Coast meeting, favour an extension of the Cocoa Agreement without any economic clauses, such as the provision for export quotas and support buying to keep prices within an agreed range. In practice this would mean that the present Agreement would have to be scrapped in order to secure the release of the accumulated buffer stock fund.

It appears the producers want to use the buffer stock money to create a special fund of their own, like the Bogota Fund for coffee, to boost prices by taking surpluses of the market.

However, it does not appear to be generally appreciated that it will take some time—at least three months—before the buffer stock funds can actually be released. Although it is specified clearly in the Cocoa Agreement that the buffer stock funds, built up by a levy on cocoa exports, should be returned to the producing countries in the event of the pact being scrapped, the mechanics of doing so are quite complicated. First the fund has to be audited after the collectors have been notified of its end right in the middle of the prime exporting season.

At the same time, most of the money held in the fund has been deposited with a range of banks which all require notification of withdrawal up to a year ahead. It is estimated this will take at least three months.

# Britain lifts Dutch pork ban

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

ANIMAL HEALTH restrictions on the import of Dutch pigmeat into Britain are to be lifted from April 1, the Ministry of Agriculture announced yesterday. It said there were no longer any animal health grounds for continuing the ban.

Farmers had been expecting that fresh Dutch pigmeat would be admitted to the British market ever since it had been known that Holland had exterminated swine fever, which was the basis of the disease restrictions.

Indeed, until a few months ago, they had been very apprehensive that, as with bacon, which has been coming from Holland in increasing amounts, their fresh pork market would be under siege.

Today, though, the virtual elimination of the Green Pound/sterling gap means that the export subsidy on Dutch pigmeat is no more than £12 per tonne, instead of £200 a year ago, and it is doubtful if the Dutch now have any real cost advantage.

Danish pork has been free to come into Britain for some time now, but supplies are not yet really significant. The Danish pig is much closer to the British pork type than is the Dutch.

Nevertheless, it is believed that Dutch interests are ready to attack the British market with carcases designed to suit our manufacturing meat trade.

Pig production in the Netherlands has been increasing, and prices are not very high. The country already exports 50 per cent of its pig production with a very streamlined marketing organisation, so farmers and processors in Britain are fearful of some very stiff competition.

# Support for EEC sugar cut-back policy

BY OUR COMMODITIES STAFF

BRITAIN should drop its opposition to cuts in the UK sugar beet quota, and stick by the EEC Commission plans for a cutback in Community production, according to the Open Seas Forum, an all-party Parliamentary group in favour of trade liberalisation.

A pamphlet issued yesterday, written by Lord Cledwyn of Penross (formerly Cledwyn Hughes, a past Labour Minister of Agriculture) and Sir Bernard Braine, former Tory under-secretary of state for Commonwealth Relations, claims that it is essential the Commission proposals for a reduction in EEC sugar production should be supported and in no way diluted.

It adds that without this cutback it is hard to see the attainment of the professed aim of the EEC to create and maintain harmonious relations with developing countries, as part of the north-south dialogue.

The reduction of the EEC beet quota could be the first practical step in the implementation of the Brandt Commission proposals for agriculture, the pamphlet declares.

World sugar prices moved sharply lower on the London futures market yesterday morning with the August position falling the £20 daily limit at one stage. But prices recovered somewhat and the May quotation closed £16.20 down at £222.60 a tonne.

# Copper falls back

COPPER PRICES fell back on the London Metal Exchange yesterday following the decline in gold and the general uncertainty about the economic outlook. Cash wirebars lost £39 to £995.5 a tonne.

The market opened well down reflecting the decline in the U.S. overnight and was further depressed when New York opened on an easier note yesterday. It was pointed out that there was an abnormally large differential between London and New York values with the U.S. market much lower, and the feeling is that London will eventually have to adjust downwards rather than New York coming up.

However, it was noted there was good trade buying interest, inspite of the high interest rates that have encouraged speculative selling.

Lead prices also dropped sharply yesterday. Cash lead closed £37.5 down at £474.5 a tonne. The decline followed the settlement of the strike at the Brittania Metals refineries at Northfleet, Kent. It is expected that the ending of the strike will help relieve the shortage of supplies available to the market.

Also depressing the market was the downturn in copper and news that a leading U.S. producer, Asarco, had cut its domestic selling price by 2 cents to 48 cents a pound.

# Israel breeds new tomato

A TOMATO which has a shelf-life, without refrigeration, of three months, has been developed by the natural products division of Ben Gurion University, Beersheba, Israel.

It was bred from two non-maturing strains which were crossed with types which enjoy strong consumer demand, and the new type is, therefore similar in colour, size, shape, acidity and sugar content to conventional tomatoes. Not only will the tomato save refrigeration costs and extend the season, but due to its slow ripening qualities, farmers do not have to examine their plots for ripe tomatoes once every day or two, but about once a fortnight.

The new strain flourishes on brackish and saline water, as well as on fresh water.

DENMARK

# Rebellion down on the farm

BY HILARY BARNES IN COPENHAGEN

DANISH agriculture is in the grip of a serious economic crisis and the farmers are in uproar.

Their official organisations have called for an investment strike, and given the financial state of the industry the farmers will not have much difficulty complying. A protest organisation calling itself Agricultural Reform 1980, which attracted 5,000 farmers to a mass-meeting in Jutland this month, is threatening a delivery strike in time to hit the general public over Easter if the Government does not promise financial relief.

Estimates of how serious the situation is vary widely. My neighbour, who farms about 170 acres of mixed arable land, is undoubtedly at the pessimistic end of the scale when he claims that within two years some 80 per cent of all farmers will have to give up if the economic situation does not change.

The Government, on the other hand, is on the optimistic end of the scale, when it claims that only a few thousand farmers, all of them established in the past few years, are really in trouble and that the rest have little to complain about.

Of the 10,000 farmers who have set up since 1972, when Denmark joined the EEC, about 1,500-2,000 are so heavily in debt that only emergency financial help can keep them in business. Another 5,000-6,000 will be in equally serious trouble within the next year or so as things are going now.

These figures are not in dispute, but there are perhaps as many as 20,000-30,000 farms out of a total of 110,000 farms of over five hectares which are seriously at risk. They are almost all owned by younger farmers, who account for a disproportionate share of total farm output, especially meat and dairy output.

The rebellious mood among the farmers is unusual: the Danish farmers accepted a virtual halving of the agricultural population in the 1960s without a murmur of protest. They might have taken the present difficulties in stoic silence as well if it wasn't for a strong feeling that it is not only the forces of supply and demand which are bringing them to their knees, but some mean actions on the part of the Government as well.

The basic cause of the farmers' plight is, of course, the combination of rising costs and stagnating producer prices. Real farm incomes fell by about 13½ per cent in 1979 and can be expected to fall by more than 10 per cent again in 1980.

In addition Danish interest rates are exceptionally high. Average effective interest rates on long-term loans have varied from 15½ per cent in 1976 to 17.3 per cent last year and they are now at about 20 per cent.

Farm earnings have for years been too low to finance current production and investment costs, but the equation was solved by the inflationary increase in the capital value of farm properties. Farmers were able to finance their invstments by borrowing with security in the increase in property prices. But that came to a stop last year, when farm property prices actually fell by an average six per cent. Farmers suddenly found themselves with an acute cash flow problem.

Part of the trouble was caused by what in retrospect was an injudicious expansion of agricultural investment from 1977 through to last year. For the past three years agricultural investment has totalled about DKr 4.5bn to DKr 5bn a year. By comparison, manufacturing industry, which employs two and a half times as many people, and accounts for over 70 per cent of the country's exports, only invested for about DKr 5.5bn a year in the same period (which reflects a crisis of under-investment in manufacturing, but that is another story).

Farmers, however, do not like to be told that the investment boom was injudicious as it was sparked off by a number of changes made at the beginning of 1977 (not least changes in capital gains tax regulations, which produced a rapid speed-up in the change of generation in farming), which convinced the farmers that the government was on their side.

Both the government and the farmers' own organisations urged them to invest and to step up production, any increase in which goes for export and helps the country to alleviate its chronic external deficit.

The farmers responded to the call. Fully automated pighouses began springing up all over the country like mushrooms on a wet September night. Pig output rose by 26 per cent from 1976 to 1979, when it reached a record 13m, expected to peak at 13.8m this year before tailing off. Unfortunately, average pigmeat prices fell by 3.6 per cent last year, while production costs rose buy 10-12 per cent. The farmers found that their investment was not paying off.

The economics of dairying were no better and milk production fell by about 2 per cent as farmers made use of the EEC subsidy for slaughtering cattle.

The final straw (perhaps literally for some farmers) came when the government devalued the Krone by 5 per cent on November 30, but decided to neutralise the income gain to the farmers by applying a special 0.7 per cent land tax for 1980. It also increased the wealth tax and abolished a 10 per cent investment allowance.

The effect of these three measures together was to wipe out entirely the Kr 800m gain which the devaluation, all other things being equal, would have brought the farmers, according to the Agricultural Economic Institute, which is financed by and is adviser to the Ministry of Agriculture.

The farmers' organisations are currently negotiating with the government for financial relief. Their four demands are: rescheduling of debt and lowering of interest rates for younger farmers, abolition of special taxes on agriculture, investment finance for Danish farmers at interest rates in line with those paid by other EEC farmers, and prices which assure farmers of an income development in line with other population groups.

If the government does not make satisfactory concessions before Easter, the hotheads of Agricultural Reform 1980 want to carry out a delivery strike. There is no chance that all the demands will be met, but the government recognises that there is a serious situation and is expected to provide some relief.

# UK minister to take tough line on EEC farm prices

BY RICHARD MOONEY

MR. PETER WALKER, the UK Agriculture Minister, will maintain his tough line on EEC farm prices at today's Agricultural Council meeting in Brussels. But with most of the other farm ministers lined up against him, it is almost inconceivable that he can achieve any more than a further delay to the settlement of the Community's agricultural support prices for the current season.

At the last Council meeting he argued against any price increases at all for products in structural surplus such as dairy products, sugar and wine, and for minimal increases for other commodities. He regards even the 2.4 per cent average price rise proposed by the EEC Commission as too high, though it falls well short of the levels favoured by other countries.

Against this background there appears no possibility of agreement being reached at today's meeting.

This need not be to Britain's disadvantage, however. In the absence of agreement on new price arrangements the Council will be asked to roll-forward the 1979/80 marketing years for CAP commodities in which case existing price arrangements would remain intact for the time being at least.

Britain would therefore keep its 13p-a-lb special butter subsidy (which the Commission proposes to scrap) until after the next Council meeting on April 23-24. Plans to end Britain's beef premium scheme, which sets a "floor" level for farmers' returns, would also be delayed.

Mr. Walker also plans to take advantage of the impasse to press his demand for a milk price freeze. When the Commission published its price proposals—including a 1.5 per cent increase for milk—in February, it also proposed increased levies on milk producers to finance the disposal of dairy surpluses. But it warned that unless the levy increases were agreed it would withdraw the price rise proposal.

# BRITISH COMMODITY MARKETS

## BASE METALS

COPPER—Weaker on the London Metal Exchange as prices reacted to investment uncertainty in the U.S. and the fall of the gold price. Forward metal opened sharply lower at £1,020 and during the morning moved between £1,012 and £1,023. After a weak Comex opening, the price dropped from £1,018 to £1,003 but then steadied, helped by heavy trade buying. After moving between £1,005 and £1,010, the price closed on the kerb at £1,005. Turnover: 17,525 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £1,010, three months £1,019, 18, 19, 17, 19, 20, 23, 24, 22. Cathodes, cash £965, 66. Kerbs: Wirebars, three months £1,022, 22.5. Afternoon: Wirebars, three months £1,003, 8, 7, 8, 9, 10, 8, 7, 8, 9, 8, 9. Kerbs: Wirebars, three months £1,009, 8, 7, 6, 7, 8, 7, 6, 5, 4, 3.

| COPPER | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Wirebars | | | | |
| Cash | 1010-1 | —10 | 995-6 | —39 |
| 3 months | 1022-3 | —11 | 1009-10 | —37 |
| Settlem't | 1011 | —10 | — | ...... |
| Cathodes | | | | |
| Cash | 965-7 | —8.5 | 955-7 | —36 |
| 3 months | 995-7 | —9 | 980-3 | —36 |
| Settlem't | 967 | —8 | — | ...... |
| U.S. Prod | — | ...... | *94-102 | ...... |

TIN—Little changed although fair volumes traded in the afternoon. The East was higher overnight and forward metal started in London at £7,875. There was a gradual rise throughout the day. Hedge selling was seen in the morning, and influential buying in the afternoon. The close on the kerb was £7,910. Turnover: 1,240 tonnes.

Morning: Standard, cash £7,870, 85, three months £7,890, 75, 80, 90, 7,900, 7,880, 90. Afternoon: Standard, three months £7,890, 7,900, 05, 08. Kerbs: Standard, three months £7,910.

| TIN | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| High Grade | £ | £ | £ | £ |
| Cash | 7865-70 | +12.5 | 7870-90 | +10 |
| 3 months | 7885-900 | —17.5 | 7905-15 | ...... |
| Settlem't | 7870 | +10 | — | ...... |
| Standard | | | | |
| Cash | 7865-70 | +12.5 | 7870-90 | +10 |
| 3 months | 7885-90 | —17.5 | 7905-8 | +1.5 |
| Settlem't | 7870 | +10 | — | ...... |
| Straits E. | ‡$2345 | +14 | | ...... |
| NewYork | — | ...... | | ...... |

LEAD—Lost ground with forward metal opening sharply lower at £455 following news of the strike settlement at Britannia Lead and the Asarco price reduction in the U.S. Thereafter the price moved between £452 and £456 before coming off in the second afternoon Ring to £445, influenced by copper's fall on Comex. But the market was not very busy. The close on the kerb was £447. Turnover: 6,975 tonnes.

| LEAD | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 484-5 | —28 | 474-5 | —37.5 |
| 3 months | 453-4 | —14 | 444-6 | —27.5 |
| S'ment | 485 | —30 | — | ...... |
| U.S. Spot | — | ...... | *50 | ...... |

Morning: Cash £488, 87, 85, three months £458, 57, 56, 55, 52, 53, 52, 53, 54, 56, 54. Kerbs, three months £454, 54.5, 55. Afternoon: Cash £475, three months £453, 54, 53, 54, 53, 52, 50, 48, 44, 45. Kerbs, three months £455, 56, 57, 56.

ZINC—Easier in line with other metals, but the market was neglected and the forward price moved narrowly. Starting at £333, it held in a £4 range through the day and closed on the kerb at £331. Turnover: 6,000 tonnes.

| ZINC | a.m. Official | + or — | p.m. Unoffici'l | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 329 30 | —2.5 | 326-7 | —7 |
| 3 months | 333-4 | —2 | 331-2 | —6 |
| S'ment | 330 | —3 | — | ...... |
| Primw'ts | — | ...... | *39.5 | ...... |

Morning: Cash £329, three months £334, 33, 33.5, 34. Kerbs: Three months £333. Afternoon: Three months £332, 33, 32. Kerbs: Three months £331.

ALUMINIUM—Lower on balance but, after starting easier at £865, forward metal held in a narrow range, overshadowed by copper. The tight supply situation showed signs of easing and some profit-taking was evident. The price held close to its opening level before dropping in the afternoon to £860 and closing on the kerb at £862. Turnover: 5,600 tonnes.

| Alumin'm | a.m. Official | + or — | p.m. Unoffic'l | †+ or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Spot | 918.22 | —25 | 900-5 | —55 |
| 3 months | 862-3 | —12.5 | 850-1 | —14 |

Morning: Cash £920, three months £862, 63, 64, 63, 64, 66, 64, 63. Kerbs: Three months £864, 65. Afternoon: Three months £864, 61, 60, 61, 60. Kerbs: Three months £861.

NICKEL—Drifted in line with other metals. Forward metal started at £3,140 and, in limited business, moved down eventually to close on the kerb at £3,115. Turnover: 426 tonnes.

| NICKEL | a.m. Official | + or — | p.m. Unoffici'l | + or — |
|---|---|---|---|---|
| Spot | 3030-45 | —12.5 | 3010-25 | —27.5 |
| 3 months | 3130-5 | —17.5 | 3110-20 | —35 |

Morning: Three months £3,140. Kerbs: Three months £3,130. Afternoon: Three months £3,130. Kerbs: Three months £3,115, 10.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

I.G. Index Limited 01-351 3466. Three months Lead 441.8-448.2
29 Lamont Road, London SW10 0HS.
1. Tax-free trading on commodity futures.
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CORAL INDEX: Close 427-432 (+3)

## PUBLIC NOTICES

HAMPSHIRE CORPORATION BILLS
£8,200,000 Bills issued 26th March 1980 at 15¼% to mature 23rd April 1980. Applications £41,000,000. Outstanding £42,200,000.

CENTRAL REGIONAL COUNCIL
£2m bills issued 19th March, 1980 due 18th June, 1980 at a rate of 16.21875% per annum. Applications totalled £14½m and bills totalling £6m are outstanding.

## LEGAL NOTICES

### INVESTMENT PROPERTIES INTERNATIONAL LIMITED

Notice to Shareholders

A first liquidation distribution of U.S.$4 per share will be made to shareholders of Investment Properties International Limited forthwith after validation of shareholders' claim. All registered and bearer shareholders should send their name and address to the Liquidator (using the box below) for the required forms and procedures to be followed by a shareholder in order to have his claim validated and to receive this distribution.

MacPherson Hubbell, F.C.A.,
Permanent Liquidator,
c/o Price Waterhouse and Co.,
P.O. Box 51,
Toronto Dominion Centre,
Toronto, Canada M5K 1G1

This notice is directed only to shareholders of IPI and not of any other company within the I.O.S. group

Name ..................................................

Address ..................................................

..................................................

..................................................

## SILVER

Silver was fixed 87.25p an ounce lower for spot delivery in the London bullion market yesterday at £9.6935. U.S. equivalents of the fixing levels were: spot $21.255, down $1.795; three-month $21.841, down $1.902; six-month $22.2719, down $2.3131; and 12-month $23.4390, down $2.139. The metal opened at £9.8-£10.25 ($21½-$22½) and closed at £9.1-£9.6 ($20-$21).

| SILVER per troy oz. | Bullion fixing price | + or — | L.M.E. p.m. Unoffici'l | + or — |
|---|---|---|---|---|
| Spot | 969.35p | —87.2 | 921.5p | —162 |
| 3 months | 994.35p | —91.2 | 949.5p | —158 |
| 6 months | 1032.35p | —89.2 | — | ...... |
| 12months | 1067p | —89 | — | ...... |

LME—Turnover 221 (146) lots of 10,000 ozs. Morning: Three months 990, 95, 76, 85, 90, 95, 86, 97, 97.5, 96, 90. Kerbs: Three months 985. Afternoon: Three months 960, 65, 60, 55, 50, 40, 45, 49.9. Kerbs: Three months 950, 45, 35, 27.

## JUTE

JUTE—April/May c and f Dundee: BWC £221, BWD £196, BTB £289, BTC £233, BTD £204. Antwerp April/May: BWC$500, BWD $430, BTB $600, BTC $521, BTD $459. Jute goods March c and f Dundee: 40-in 10-oz £15.92, 40-in 7.5-oz £12.28. B Twills £34.14.

## COCOA

Futures remained within the narrow trading range seen of late, drifting quietly to close at the mid-point, reports Gill and Duffus.

| COCOA | Yesterd'ys Close | + or — | Business Done |
|---|---|---|---|
| March | 1424-28 | —1.5 | 1430-19 |
| May | 1447-49 | —6.5 | 1454-42 |
| July | 1464-65 | —10.0 | 1464-52 |
| Sep | 1465-66 | —7.5 | 1473-64 |
| Dec | 1495-99 | —5.5 | 1503-1495 |
| March | 1515-25 | —7.5 | 1520 |
| May | 1550-55 | —2.5 | — |

Sales: 2,020 (1,963) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price March 4: 143.26 (140.23). Indicator price March 25: 15-day average 140.62 (140.53); 22-day average 140.88 (140.97).

## COFFEE

Robustas opened slightly easier to reflect early currency strength and lower New York prices, reports Drexel Burnham Lambert. In mixed dealings volume was once again very poor in a narrow trading range throughout a featureless morning session. Afternoon trading was similarly without feature although in the busiest trading period during the closing call values eased further to finally show losses of between £7-£28.

| COFFEE | Yesterday's Close £ per tonne | + or — | Business Done |
|---|---|---|---|
| March | 1632-35 | —7.0 | 1637-34 |
| May | 1655-58 | —14.5 | 1665-58 |
| July | 1684-85 | —17.0 | 1695-84 |
| Sept | 1712-15 | —16.0 | 1725-15 |
| Nov | 1710-14 | —18.5 | 1727-17 |
| January | 1707-09 | —19.0 | 1720-19 |
| March | 1667-68 | —27.5 | 1694-66 |

Sales: 1,745 (2,057) lots of 5 tonnes.

ICS indicator prices for March 24 (cents per pound): Other Mild Arabicas 186.00 (166.67). Robustas ICA 1976 169.00 (169.50). ICA 1968 169.25 (169.75). Unwashed Arabicas 204.00 (205.00). Comp. daily ICA 1968 188.75 (189.36).

## GRAINS

LONDON GRAIN FUTURES—Old crops saw some initial buying interest and traded 20p higher. Values again eased in thin volume and closed unchanged to 10p lower on the day. New crops saw little trade and values registered losses, reports Acli.

| WHEAT Mnth | Yest'rdays close | + or — | BARLEY Yest'rday close | + or — |
|---|---|---|---|---|
| May | 94.65 | ...... | 93.85 | —0.10 |
| Sept | 95.80 | —0.15 | 91.90 | —0.05 |
| Nov | 97.75 | [illegible] | 95.20 | [illegible] |
| Jan | 101.75 | —0.10 | 100.00 | —0.10 |

[illegible]

## WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business, sales). Australian cents per kilo. [illegible]

LONDON NEW ZEALAND CROSSBREDS—[illegible]

403, 409-403, 10; Oct. 406, 409, 408, 3; Dec. 406, 409, 408, 4 Jan. 406, 408, 408-405, 2; March 410, 418, nil, nil; May 412, 428, nil, nil; Aug. 415, 430, nil, nil. Sales 19.

## RUBBER

The London physical market opened steadier with little interest throughout the day, closing on an easier note. Lewis and Peat reported a Malaysian godown price of 330 (327) cents a kg (buyer, April).

| No. 1 R.S.S. | Yest'rdays Close | Previous Close | Business Done |
|---|---|---|---|
| Apr. | 68.05-68.50 | 69.75-70.50 | 69.50 |
| May | 70.50-70.80 | 71.50-71.70 | 70.75-70.40 |
| Apr.-Jne | 70.10-70.35 | 71.55-71.80 | 71.00-70.00 |
| Jly.-Sept | 74.40-74.50 | 75.75-75.85 | 75.40-74.25 |
| Oct-Dec | 78.45-78.50 | 79.75-79.80 | 79.95-78.25 |
| Jan-Mar | 81.10-81.15 | 82.50-82.70 | 81.70-81.00 |
| Apr-Jne | 85.65-85.70 | 85.05-85.60 | 84.70-85.65 |
| Jly.-Sept | 86.20-86.40 | 87.65-87.85 | 87.30-86.20 |
| Oct-Dec | 88.90-89.00 | 90.45-90.50 | 85.80-89.00 |

Sales: 515 (282) at 15 tonnes, 36 (25) at 5 tonnes.

Physical closing prices (buyer) were: Spot 67.00p (68.50p); May 72.25p (72.75); June 73.25.

## SOYABEAN MEAL

The London market opened with losses of around £1.00 following the USDA announcement that they will shortly be inviting bids for USSR embargoed beans, reports T. G. Roddick. Prices found mixed support and closed slightly off the lows.

| | Yest'rd'y Close £ per tonne | + or — | Business Done |
|---|---|---|---|
| April | 112.00-15.5 | —0.60 | — |
| June | 110.40-10.7 | —0.65 | 110.50-10.10 |
| August | 111.80-11.8 | —1.80 | 112.50-11.40 |
| October | 109.60-09.8 | —0.60 | 109.50-09.00 |
| December | 112.50-13.0 | —0.75 | 112.50 |
| February | 114.50-15.2 | —1.85 | — |
| April | 116.50-18.9 | —1.30 | — |

Sales: 43 (73) lots of 100 tonnes.

## SUGAR

LONDON DAILY PRICE (raw sugar): £208.00 (£221.00) a tonne cif for March-April-May shipment. White sugar daily price was £221.00 (£234.00).

Prices were contained within a £5 range in good two-way trading conditions, reports C. Czarnikow.

| Sugar Pref. Comm. Con. | Yest'rdays Close | Previous Close | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| March | 207.00 | 221.00-30.00 | 215.00 |
| May | 222.50-22.70 | 238.75-38.85 | 244.00-21.00 |
| Aug. | 235.25-35.50 | 251.75-52.00 | 257.00-33.20 |
| [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

## COTTON

[illegible]

## PRICE CHANGES

In tonnes unless otherwise stated.

| | Mar. 25 1980 | + or — | Month ago |
|---|---|---|---|
| **Metals** | | | |
| Aluminium | £810/815 | ...... | £810/815 |
| Free Mkt | $1950/1960 | +10 | $2180/22 |
| Copper | | | |
| Cash w'bar | £995.5 | —39 | £1,176 |
| 3 mths | £1,009.5 | —37 | £1,194.5 |
| Cash Cathode | £956 | —36 | £1,130 |
| 3 mths | £981.5 | —36.5 | £1,151.25 |
| Gold troy oz | $540.5 | —25 | $640.5 |
| Lead cash | £474.5 | —37.5 | £520 |
| 3 mths | £445 | —27.5 | £490.5 |
| Nickel | £3,335 | ...... | £3,195.78 |
| Freemkt(cif (lb) | 395/310c | ...... | 305/330c |
| Platin'mtr'y oz | £189-193 | ...... | £189 |
| Free mkt | $287.20 | —24.5 | $384.20 |
| Quicksil'ver† | $400/415 | +7.5 | $390-400 |
| Silver troy oz | 969.35p | —87.25 | 1469.69p |
| 3 months | 994.35p | —91.25 | 1494.60p |
| Tin Cash | £7,880 | +10 | £7,550 |
| 3 mths | £7,906.5 | +1.5 | £7,685 |
| Tungsten22.04lb | $141.14 | ...... | $139.11 |
| Wolfrm 22.04 lbs | $147/151 | ...... | $139/144 |
| Zinc cash | £326.5 | —7 | £382.75 |
| 3 months | £331.5 | —6 | £393 |
| Producers | $825 | ...... | $825 |
| **Oils** | | | |
| Coconut (Phil) | $750w | —5 | $835 |
| Groundnut | ‡ | ...... | ‡ |
| Linseed Crude | £454 | —5 | £446 |
| Palm Malayan | $630x | ...... | $666 |
| **Seeds** | | | |
| Copra Philip | $500w | +2.5 | $547.50 |
| Soyabean(U.S.) | $273.80x | —1.35 | $286.70 |
| **Grains** | | | |
| Barley Futures | £91.90 | —0.05 | £98.20 |
| Maize | | ...... | |
| French No3AM | £116 | ...... | £116 |
| Wheat | | | |
| No. 1 Red Spg. | ‡ | ...... | ‡ |
| No2HardWint. | ‡ | ...... | ‡ |
| Eng. Millingt. | ‡ | | ‡ |
| **Other commodities** | | | |
| Cocoa ship't | £1,479 | —6 | £1,435 |
| Future May | £1,448 | —6.5 | £1401.5 |
| CoffeeF't'rMay | £1,666.5 | —14.5 | £1581.5 |
| Cotton A.Index | 93.95c | —0.2 | 95.65c |
| Rubber (kilo) | 67p | —1.5 | 73p |
| Sugar (Raw) | £208 | —13 | £228 |
| Wooltp's 64s kl | 308p kilo | ...... | 297pkilo |

s June. v May. t March-April. u April. w April-May. x July. z Indicator. § Buyer. ‡ Per 76 lb flask.

## MEAT/VEGETABLES

SMITHFIELD—pence per pound. Beef: Scottish killed sides 65.0 to 69.0, Ulster hindquarters 80.0 to 82.0, forequarters 49.0 to 52.0, Eire hindquarters 78.0 to 81.0, forequarters 48.0 to 50.0. Veal: English fats 76.0 to 90.0, Dutch hinds and ends 100.0 to 112.0. Lamb: English small 50.0 to 76.0, medium 64.0 to [illegible]

[illegible]

COVENT GARDEN—[illegible]

GRIMSBY FISH—[illegible]

# AMERICAN MARKETS

NEW YORK, March 24.

PROFIT TAKING in gold resulted in a major sell off which was extended to silver, sugar, cotton and some copper contracts. Coffee closed down on the Columbian reduction in export prices. Trade and speculative buying of cocoa just ahead of the ICO meetings rallied the market for minor gains. A major sell off in the entire livestock complex was triggered by reports of continued slow cash demand. Maize and soyabeans traded lower under pressure from professional selling while wheat rallied, moderately on the close, reported Heinold.

Cocoa—May 142.00 (140.25), July 139.90 (138.50), Sept. 140.40, Dec. 3115, March 3180, May —, July —. Sales: 1,778.

Coffee—"C" Contract: March 184.00-185.90 (unquoted), May 189.50-189.60 (190.94), July 196.00-196.25, Sept. 200.25, Dec. 192.00-192.60, March 184.50-184.99, May 185.00-185.40, July unquoted. Sales: 3,325.

Copper—March 92.60 (95.20), April 92.80 (95.50), May 94.20-94.40, July 97.20-97.60, Sept. 100.10, Dec. 102.50,

**Closing prices for North America were not available for this edition.**

Jan. 103.70, March 105.50, May 107.50, July 109.50, Sept. 111.50, Dec. 114.50, Jan. 115.50. Sales: 3,800.

Cotton—No. 2: May 87.62 (89.62), July 85.55 (87.55), Oct. 80.55, Dec. 75.80, March 76.27, May 77.25, July 77.75-78.25, Sept. —. Sales: 17,550.

*Gold—March 550.0 (563.3), April 546.0-550.0 (565.0), May 558.0, June 565.0-567.0, August 583.0, Oct. 603.3, Dec. 623.0, Feb. 630.0, April 657.9, June 676.1, August 694.3, Oct. 712.5, Dec. 730.7. Sales: 19,000.

Orange Juice—May 93.00 (96.50), July 94.50 (97.70), Sept. 96.25, Nov. 97.50-98.00, Jan. 98.40, March 99.20, May 100.00, July 100.50-101.00.

Potatoes (round whites)—April 44.0 (45.0), May 50.7-50.8 (51.5), Nov. 74.4-74.7. Sales: 393.

*Platinum—March 635.0-640.0 (679.0). April 651.0 (681.0), May unquoted, July 682.5, Oct. 715.5, Jan. 748.5, April 783.5, May unquoted. Sales: 2,050.

¶Silver—March 2070.8-2150.0 (2250.0) April 2362.0 (2462.0), May 2405.0, July 2475.0, Sept. 2547.0, Dec. 2627.0, Jan. 2654.0, March 2708.0, May 2782.0, July 2816.0, Sept. 2870.0, Dec. 2940.0, Jan. 2964.0. Sales: 4,000. Handy and Harman bullion spot 2325.00 (2190.00).

Sugar—No. 11: May 20.00-20.05 (21.16), July 20.87-21.00 (21.87), Sept. 21.90, Oct. 22.55, Jan. 24.20, March 25.08, May 25.00, July 25.15. Sales: 18,380.

Tin—813.00-824.00 asked (810.00-820.00).

CHICAGO, March 24.

Lard—Chicago loose 19.63 (19.50). New York prime steam 21.13 (21.00).

Live cattle—April 64.75-64.90 (66.00), June 66.95-66.95 (68.45), Aug. 66.45-66.40, Oct. 66.40-66.55, Dec. 66.72-66.80, Jan. 66.80, Feb. 67.32.

Live Hogs—April 32.55-32.65 (33.82), June 36.65-36.65 (38.16), July 38.67-38.67, Aug. 38.45, Oct. 37.95, Dec. 40.97-41.10, Feb. 43.20, April 42.30, June 44.95.

‡‡Maize—May 266-265½ (268), July 278¾-279 (281¼), Sept. 290, Dec 298¾-299¼, March 311½, May 320¾.

Pork Bellies—March 40.70 (42.70), May 41.25 (43.25), July 42.35, Aug. 41.17, Feb. 52.35, March 52.60, May 53.60, July —, Aug. —.

Silver—March 2155.0 (2270.0), April 2170.0-2150.0 (2290.0), June 2255.0, Aug. 2315.0, Oct. 2375.0, Dec. 2430.0, Feb. 2490.0, April 2555.0, June 2610.0, Aug. 2670.0, Oct. 2730.0, Dec. 2790.0, Feb. 2850.0, April 2910.0, June 2970.0, Aug. 3030.0.

†Soyabeans—May 618½-617 (624), July 642-641½ (648¼), Aug. 652½-652, Sept. 661, Nov. 679¾-679, Jan. 696, March 715½, May 730½.

Soyabean Meal—May 169.6-169.7 (172.2), July 175.9-175.8 (178.6), Aug. 179.1-179.2, Sept. 182.5-182.3, Oct. 185.7, Dec. 190.5-190.7, Jan. 192.5-192.7, March 197.6-198.5, May 201.5-202.0.

Soyabean Oil—May 22.00-22.01 (22.40), July 22.62-22.64 (22.73), Aug. 23.00, Sept. 23.25, Oct. 23.50, Dec. 23.95-24.00, Jan. 24.20-24.10, March 24.45, May 24.90.

†Wheat—May 425½-427 (421¾), July 437-438 (431¾), Sept. 450-450½, Dec. 459-469½, March 485, May 492½.

WINNIPEG, March 24—§Barley—March 113.40 (113.50), May 115.40 (115.80), July 117.30, Oct. 113.40, Dec. 113.20.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 219.70 (218.10).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

# EUROPEAN MARKETS

ROTTERDAM, March 25.

Wheat—U.S. No. 2 Red Winter May $192, June $188, July $188, Aug. $193. U.S. No. 2 Northern Spring, 14 per cent, April $194, May $193, June $194. Rest unquoted.

Maize—U.S. No. 3 Corn Yellow afloat $133, March $131.50, April $131.50, May $133.50, June $135.50, July-Sept. $141, Oct.-Dec. $148.50, Jan.-March $153.50.

Soyabeans—U.S. Two Yellow Gulfports April $257.50, July $267.50, Aug. $271.75, Sept. $275, Oct. $276, Nov. $278, Dec. $284.50, Jan. $288, Feb. $293, March $297.50 sellers.

Soyameal—44 per cent protein U.S. afloat $231, April $224, May $224, June $225.50, April-Sept. $227, Nov.-March $246.50. Brazil Pellets afloat $238, March $238, April $231.50, May $228.50, June $231.50, March-Sept. $235.

Sugar (FFr per 100 kilos) May 2175/2180, July 2195/2230, Aug. 2260/2295, Oct. 2365/2390, Nov. 2385/2420, Dec. 2435, March 2500, May 2540. Sales at call 0.

PARIS, March 25.

Cocoa (FFr per 100 kilos)—March 1390-1400, May 1368-1380, July 1370, Sept. 1380-1400, Dec. 1398-1410, March 1395-1415. Sales at call 0.

# INDICES

FINANCIAL TIMES

| Mar. 24 | Mar. 21 | M'nth ago | Year ago |
|---|---|---|---|
| 299.91 | 299.69 | 299.37 | 274.65 |

(Base: July 1, 1952=100)

MOODY'S

| Mar. 24 | Mar. 21 | M'nth ago | Year ago |
|---|---|---|---|
| 1254.7 | 1236.3 | 1380.4 | 1066.2 |

(December 31, 1931=100)

DOW JONES

| Dow Jones | Mar. 24 | Mar. 21 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 426.48 | 430.68 | 432.64 | 380.31 |
| F'tur's | 436.62 | 441.46 | 454.06 | 387.67 |

(Average 1924-25-26=100)

REUTERS

| Mar. 25 | Mar. 24 | M'nth ago | Year ago |
|---|---|---|---|
| 1742.8 | 1754.9 | 1772.5 | 1571.9 |

(Base: September 18, 1931=100)

[illegible]

# LONDON STOCK EXCHANGE

# Cautious improvement awaiting Budget leaves Gilts ½ higher and equity index 3.1 better at 430.3

**Account Dealing Dates**
**Options**

| *First Dealings | Declara-tions | Last Dealings | Account Day |
|---|---|---|---|
| Mar. 10 | Mar. 20 | Mar. 21 | Mar. 31 |
| Mar. 24 | Apr. 10 | Apr. 11 | Apr. 21 |
| Apr. 14 | Apr. 24 | Apr. 25 | May 6 |

* "New time" dealings may take place from 9 a.m. two business days earlier.

Still cautiously optimistic that the Chancellor would announce Budget proposals today beneficial to the sector, the market in Gilt-edged securities continued to make progress yesterday. The recent torpor in the equity sections persisted; leading shares were looking brighter late in the day, but doubts remained about Sir *Geoffrey Howe* introducing measures to rejuvenate manufacturing industry.

With activity in the equity leaders again limited, it was left to situation issues to provide the features. The Oil sector again presented many of these, especially among non-producers and holding companies which would not be affected if Petroleum Revenue Tax is increased. The preliminary results of **London and Scottish Marine Oil** were around market estimates, and the shares eased a shade in the absence of demand.

Insurances warmed to the announcement that, contrary to some expectations, the proposed **Marsh and McLennan** bid for **C. T. Bowring** is not to be referred to the Monopolies Commission. Bowring rose to 148p before settling 10 up on balance at 141p compared with the shares and cash offer worth 160p per Bowring share. Gains elsewhere in the sector were similarly reduced and rarely amounted to more than 3p at the close.

The continuing reluctance of institutional investors to commit their funds ahead of the Budget was illustrated by minimal movements in leading shares throughout the session until the after-hours' trade. Down 1.9 at 10.00 am, the FT 30-share index was showing a net rise of 0.6 at 3.00 pm but moved up late to end 3.1 higher on the day at 430.3.

Rising international interest rate pressures were temporarily forgotten as investors contemplated a Budget favourable to British Funds. Small demand coupled with switching operations encouraged the longer-dated stocks to move up ½ more, although the long tap **Treasury** 14 per cent 1996 gained only ⅛ to 49⅞ for the £50-paid stock. The shorts were seldom more than $\frac{1}{16}$ harder, while the three Variable coupon issues all shed ⅛.

Demand for Traded options improved slightly and 353 contracts were completed compared with the previous day's 243 and last week's daily average of 388.

Plastic specialists **R. H. Morley** staged a bright debut; placed at 90p and dealt under special rule 163 (2) (a), the shares opened at 94p and, in relatively active trading, advanced to 101p.

## Bowring up again

The surprise early announcement that Marsh and McLennan's 160p per share bid is not to be referred to the Monopolies Commission sparked off good buying of **C. T. Bowring** which improved steadily to touch 148p before closing a net 10 up for a two-day rise of 15 at 141p. Other Lloyds *brokers were excited by the* development and generally gained ground on hopes of further U.S. takeover activity within the sector. **Minet** improved 3 to 105p and **C. E. Heath** hardened a penny to 208p, after 210p, as did **Stewart Wrightson**, to 187p, after 190p. **Alexander Howden** ended a penny better at 114p, after 116p, ahead of tomorrow's preliminary results.

A firm market recently on a Press suggestion that Citibank of the U.S. may bid for the company, **UDT** continued firmly and closed a penny dearer at 55p. Elsewhere in a lethargic banking sector, **Lloyds** hardened 2 to 290p but **Midland** eased that much to 308p. **Bank of Scotland** dipped 3 to 240p; the preliminary figures are due on April 15.

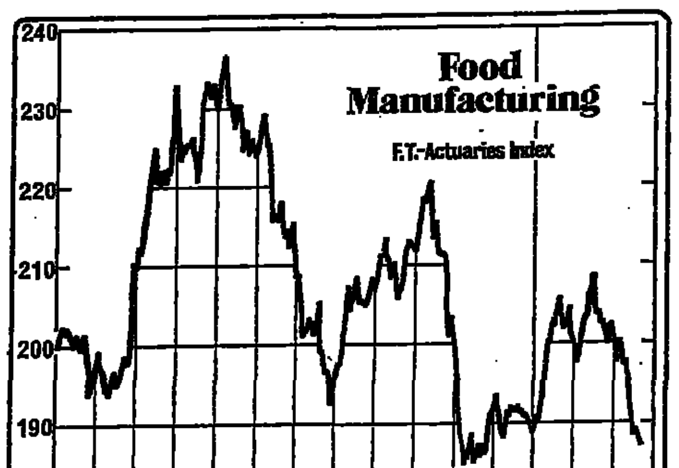
The anticipated effects of the Budget continued to deter investors from the drinks sector, and the leaders tended to hover around the overnight positions. Support was apparent however for **Allied** which became active on recovery hopes and closed 2½ better at 72p.

The majority of movements in Buildings and kindred issues were against holders as occasional selling developed. Among Timber issues, **International** and **Mallinson-Denny** lost a penny apiece to 108p and 61½p respectively, while **May and Hassell** cheapened a couple of pence to 88p. **Montague L. Meyer** shed 3 to 111p as bid rumours receded and **James Latham** gave up 5 to 140p, the latter in a thin market. Lack of interest left **SGB** 7 cheaper at 238p and **Brown and Jackson** 3 off at 145p, but **Vibroplant** attracted interest and picked up 12 to 295p. **Manders**, annual results tomorrow, eased 2 to 138p, while other dull spots included **Derek Crouch**, 5 lower at 113p, and **Allied Plant**, 2 cheaper at 31½p. In Cements, **Blue Circle** improved a couple of pence to 294p on late support and **Cement Roadstone** hardened a penny to 80p. **Aberthaw**, on the other hand, were subjected to persistent offerings and shed 5 to 138p, after 135p.

In Chemicals, **ICI** remained subdued but improved 2 to 370p. **Fisons**, however, encountered scattered selling and eased 5 to 264p. **Brent** firmed 4 to 226p, after 228p, on the one-for-one rights at 30p issue to raise £3.8m that accompanied the preliminary results.

## Stores quiet

Reflection of Monday's retail sales figures outweighed pre-budget nervousness and leading Stores finished a shade firmer where altered. **Marks and Spencer**, 89p, and **British Home Stores**, 265p, both added a penny, while **UDS** rose 3 to 68p. Hopes of a pending offer from Lonrho continued to help **House of Fraser**, a penny up at 134p. Outside the majors, recently firm **Bambers** announced higher annual profits and dividend together with a 50 per cent scrip issue and touched 100p before profit-taking left the close a net 3 down at 94p. Mail-orders also *trended easier with falls of 4 in* **Grattan**, 74p, and **Empire**, 162p.




The majority of movements in the Electrical sector were against holders. **AB Electronic**, 146p, and **Automated Security**, 225p, lost 4 and 5 respectively, while **Brocks** met revived selling and gave up 3 to 66p. Falls of 2 were marked against **STC**, 253p, and **MK**, 160p. Against the trend, **Louis Newmark** revived with a gain of 8 at 320p, while **Wholesale Fittings** continued to edge higher at 600p, up 5.

The Engineering leaders edged a few pence higher, but trading remained extremely quiet. **Vickers** improved 3 to 114p, while **Hawker**, 170p, and **GKN**, 255p, both ended a shade dearer. Elsewhere, **Amalgamated Power** encountered a revival of speculative demand and put on 7 to 82p. **Williams and James**, a poor market recently on the sharp fall in annual profits, rallied to 130p before reacting afresh to close 5 down on balance at 120p. **Garton Engineering**, 65p, and **Expanded Metal**, 58p, both held steady following preliminary figures. Easier at 174p in front of the annual results, **Spirax-Sarco** rallied on them to close without alteration at 178p.

Publicity given to brokers' adverse circulars prompted a reaction of 7 to 293p in **J. Sainsbury**. Elswhere in the Food leaders, **Tate and Lyle** and **Rowntree Mackintosh** hardened 2 apiece to 132p and 142p respectively. Secondary issues had **Bernard Matthews** 5 cheaper at 280p awaiting Friday's preliminary results, while scattered selling in a thin market left **Lockwoods** 6 down at a 1980 low of 60p.

## Bridon good late

Potential investors were again content to sit on the sidelines awaiting the content of today's Budget and so the miscellaneous industrial leaders rarely strayed from the overnight levels. However, **Reckitt and Colman**, a poor market of late awaiting the figures, closed a further 4 down at 172p, after 170p, following annual profits nearly £4m below market expectations. Elsewhere, secondary issues were featured by a mark-up of 7 to 73p in **Bridon** on the late revelation that the company has agreed to sell its Haggie Rand Ltd. South African subsidiary to Anglo American Industrial Corporation and Union Corporation for R57m cash. *A near-47 per cent jump in* annual earnings, the capitalisation proposals and confident statement on prospects helped **Stag Furniture** rise 4 to 192, while **Dufay Bitumastic** hardened a penny to 31p with the chairman's remarks about a good second-half recovery outweighing the reduced first-half profits. Still reflecting Press comment, **George Ewer** hardened 1½ more to 53½p but profit-taking brought about a reaction of 6 to 124p in recent North Sea-oil favourite **National Carbonising**.

The cheap transmission development continued to lift **Automotive Products** which added 2½ to a 1980 peak of 76p. Elsewhere among subdued Motor sectors, **ERF** shed 3 at 90p on profit-taking, while, in Distributors, **Appleyard**, *interim results due today*, fell a couple of pence to 62p.

**United Newspapers** provided an isolated firm spot among Publishing issues, rising 12 to 405p in response to the annual results and 100 per cent scrip issue. In contrast, **International Thomson** gave up 12 at 378p.

Still hoping for capital gains tax concessions in the Budget, Properties attracted fresh interest at the outset. Support, however, was shortlived and early modest gains were pared. **Land Securities**, 291p, and **MEPC**, 192p, retained gains of only a penny. **Capital and Counties** eased 2 to 94p, but **Slough Estates** added that much to 119p, the latter awaiting today's annual results. **Fairview Estates** touched 240p before settling 5 off on balance at 232p following the interim results.

## Oil leaders rally

Partly reflecting the sharp overnight reaction on Wall Street, leading Oils opened easier before staging a useful rally which gained momentum in the late dealings. **BP** ended 8 to the good at 338p while **Shell** finished a modest 2 up at 338p. **Tricentrol** hardened 4 to 282p and **Ultramar** 8 to 496p. Among the speculative issues, **CCP**, 238p, and **British Borneo**, 286p reacted 6 apiece, but **Siebens** improved further to close 10 higher at 560p. **Sceptre**, down 20 at 435p, were not helped by the company's acquisition of interests in three blocks in the Dutch sector of the North Sea. Dealings were temporarily suspended in **Viking Oil** at £10¾ at the company's request pending an announcement. **Lasmo** closed 5 down at 440p following preliminary results in line with recent market estimates.

Among Overseas Traders, **Paterson Zochonis A** added 8 to 230p on further consideration of the interim statement. **Lonrho** firmed a penny to 90p, but **Sime Darby** eased a couple of pence to *81p on thoughts that the company* is set to renew its offer for Guthrie.

Trusts continued to drift lower, **General Investors** easing 4 to *119p and falls of 2* being marked against **Alliance Investment**, 116p, and **Atlantic Assets**, 150p. Among Financials, **R. P. Martin** were bought and put on 3 to 39p.

Plantations were again featured by **Guthrie** which responded to further Press suggestions of another bid from Sime Darby with a gain of 33 at 845p. **Beradin** jumped 13 to 127p following the annual results and capital proposals. Elsewhere the trend was to lower levels. **Harrisons Malaysian Estates** eased a couple of pence to 167p in front of today's half-timer, while reduced interim profits clipped 5 from **Castlefield** *(Klang)*, *490p*.

## Subdued Mines

Interest in mining markets was scant and prices tended to drift. Features were few in lacklustre trading.

Prices of South African Golds were marked down in line with the bullion price which closed $25 down at $540.50 an ounce. The Gold Mines Index was 10.7 lower at 315.5.

Many of the gains recorded on Tuesday were given up as prices drifted. The tone of the market was drab in advance of the South African budget today and the financial rand was easier.

*Falls* were common throughout the list with **Randfontein** 1½ lower at £30½, **East Driefontein** ⅜ easier at £10½, **Harmony** 68 down at 791p and **Zandpan** 25 softer at 433p.

The lower trend spread into other South African stocks. **De Beers** lost 23 to 412p among Financials, but the market drifted and there was no real selling pressure.

Platinums were easier as well. As the market waited for what proved to be a more than doubled interim dividend from **Rustenburg**, the shares sagged 8 to 220p. **Lydenburg** were 6 easier at 134p and **Impala** slipped 2 to 270p.

London Financials had one of their quietest days for some time. Prices drifted down at the outset but then held moderately steady in the face of small sporadic buying. Falls ranged to 4 with **Charter Consolidated** at 151p, **Consolidated Gold Fields** at 493p, **Rio Tinto-Zinc** at 353p and **Selection Trust** at 672p.

Australians were easier throughout the list, reflecting falls in Sydney overnight. But again there was no weight of selling and, indeed, small selective buying was evident.

Among the majors, **Conzinc** *Riotinto closed 8 easier* at 236p and **Western Mining** shed 6 to 194p. Of exploration issues, **Carr Boyd**, at 20p, **Haoma**, at 38p, and **Otter**, at 66p, all lost 4. **Whim Creek**, prompted by Irish buying, moved against the trend to gain 10 to 82p.

Tins were untested, but **Saint Piran** ended 3 firmer at 63p in advance of a Takeover Panel decision on its overseas shareholders.

## FINANCIAL TIMES STOCK INDICES

| | Mar. 25 | Mar. 24 | Mar. 21 | Mar. 20 | Mar. 19 | Mar. 18 | A year ago |
|---|---|---|---|---|---|---|---|
| Government Secs. | 64.40 | 64.19 | 64.54 | 64.40 | 64.18 | [illegible] | [illegible] |
| Fixed Interest | 64.91 | 64.87 | 64.76 | 64.79 | 64.76 | 64.78 | [illegible] |
| Industrial | 430.3 | 427.2 | 433.2 | 432.0 | 431.7 | [illegible] | [illegible] |
| Gold Mines | 315.5 | 326.2 | 306.4 | 315.0 | 294.8 | 285.8 | [illegible] |
| Ord. Div. Yield | 6.08 | 6.07 | 7.99 | 7.92 | 7.90 | [illegible] | [illegible] |
| Earnings, Yld. % (full) | 19.98 | 20.10 | 19.88 | 19.76 | 20.34 | 20.43 | [illegible] |
| P/E Ratio (net) (*) | 6.11 | 6.07 | 6.12 | 6.15 | 6.07 | 5.94 | [illegible] |
| Total bargains | 21,184 | 19,338 | 21,317 | 20,919 | 19,742 | 22,361 | [illegible] |
| Equity turnover £m | — | 64.44 | 100.76 | 87.12 | 87.78 | 111.89 | [illegible] |
| Equity bargains total | — | 13,986 | 16,500 | 15,919 | 14,994 | 17,900 | [illegible] |

10 am 428.3. 11 am 428.2. Noon 428.2. 1 pm 428.2. 2 pm 428.4. 3 pm 427.8.

Latest Index 01-246 8026.

*Nil=6.85.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

## HIGHS AND LOWS

| | 1980 High | 1980 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs. | 69.26 (21/1) | 63.85 (7/3) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 69.61 (21/1) | 64.70 (10/3) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ind. Ord. | 478.8 (13/2) | 406.9 (3/1) | 558.6 (4/5/79) | 49.4 (26/6/40) |
| Gold Mines | 377.9 (28/2) | 265.5 (18/3) | 442.3 (22/5/67) | 43.5 (26/10/71) |

## S.E. ACTIVITY

| | Mar. 25 | Mar. 24 |
|---|---|---|
| —Daily | | |
| Gilt Edged | 161.3 | 186.6 |
| Industrials | 138.9 | 107.9 |
| Speculative | 41.1 | 43.9 |
| Totals | 93.6 | 76.2 |
| 5-d'y Av'r'ge | | |
| Gilt Edged | 135.5 | 128.3 |
| Industrials | 124.4 | 124.0 |
| Speculative | 47.7 | 52.7 |
| Totals | 87.0 | 86.9 |

## NEW HIGHS AND LOWS FOR 1980

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

**NEW HIGHS (11)**

BRITISH FUNDS (1)
Treas. 3½pc '77-80
BUILDINGS (1)
Pochin's
STORES (1)
Henriques A
ELECTRICALS (1)
Wholesale Fittings
INDUSTRIALS (1)
Stag Furniture
INSURANCE (1)
Howden (A.)
MOTORS (1)
Automotive
NEWSPAPERS (1)
United Newspapers
TEXTILES (1)
Mountleigh
TRUSTS (1)
Mercantile House
OILS (1)
BP 8pc Pref.

**NEW LOWS (113)**

AMERICANS (26)
CANADIANS (5)
BANKS (4)
BUILDINGS (3)
CHEMICALS (7)
DRAPERY & STORES (2)
ELECTRICALS (5)
ENGINEERING (9)
FOODS (5)
HOTELS (1)
INDUSTRIALS (17)
INSURANCE (3)
LEISURE (1)
NEWSPAPERS (3)
PAPER & PRINTING (2)
SHIPPING (1)
TEXTILES (4)
TRUSTS (11)
OILS (1)
MINES (3)

## RISES AND FALLS YESTERDAY

| | Up | Down | Same |
|---|---|---|---|
| British Funds | 75 | 3 | 12 |
| Corpns., Dom. and Foreign Bonds | 19 | 5 | 42 |
| Industrials | 133 | 263 | 1,002 |
| Financial and Prop. | 44 | 173 | 282 |
| Oils | 12 | 22 | 12 |
| Plantations | 1 | 17 | 9 |
| Mines | 10 | 93 | 61 |
| Others | 10 | 99 | 19 |
| Totals | 304 | 675 | 1,428 |

## LONDON TRADED OPTIONS

| Option | Ex'rcise price | April Closing offer | April Vol. | July Closing offer | July Vol. | Oct. Closing offer | Oct. Vol. | Equity close |
|---|---|---|---|---|---|---|---|---|
| BP | 325 | 22 | 25 | — | — | — | — | 331p |
| BP | 350 | 12 | 9 | — | — | — | — | " |
| BP | 390 | — | — | 18 | 31 | 29 | 7 | " |
| BP | 420 | — | — | 12 | 3 | 19 | — | " |
| BP | 440 | 2 | 5 | — | — | — | — | " |
| Com. Union | 130 | 6 | — | 13 | — | 18 | 2 | 127p |
| Com. Union | 140 | 2 | — | 8 | 2 | 13 | — | " |
| Cons. Gold | 500 | 24 | 18 | 44 | — | 66 | — | 491p |
| Cons. Gold | 550 | 5½ | 1 | 22 | — | 36 | — | " |
| Courtaulds | 60 | 11 | 3 | 13 | — | 14½ | — | 69p |
| Courtaulds | 70 | 4 | 3 | 7½ | 10 | 9 | — | " |
| GEC | 330 | 35 | 5 | 54 | — | 67 | 7 | 359p |
| GEC | 390 | 3½ | 1 | 20 | — | 35 | 5 | " |
| Grand Met. | 130 | 4 | — | 9½ | 1 | [illegible] | [illegible] | [illegible] |
| Grand Met. | 160 | ½ | 3 | 2½ | — | [illegible] | [illegible] | [illegible] |
| ICI | 390 | 4 | — | 19 | 5 | [illegible] | [illegible] | [illegible] |

[illegible]

## Courtaulds Hilton

Textile group, **Courtaulds Hilton**, 64 per cent held by Courtaulds of the UK, plans a second capital return if the company successfully negotiates the sale of land at Tomago, New South Wales, to Gove Alumina for a new aluminium smelter.

Mr. Ben Cant, chairman, says that Gove, which currently has an option over the Tomago site, has not yet decided.

Courtaulds Hilton lifted earnings 45 per cent from A$1.21m to A$1.74m in 1979 and has raised its dividend from 2.5 cents a share to 5 cents, on earnings of 12 cents a share.

The company made its first return of capital last year with a payment of 20 cents a share and expects a similar return after the Tomago sale.

## FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Tues., Mar. 25, 1980 Index No. | Day's Change % | Est. Earnings Yield % (Max.) | Gross Div. Yield % (ACT at 30%) | Est. P/E Ratio (Net) | Mon., Mar. 24 Index No. | Fri., Mar. 21 Index No. | Thurs., Mar. 20 Index No. | Wed., Mar. 19 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (172) | 229.50 | −0.2 | 19.03 | 6.83 | 6.61 | 229.96 | 230.72 | 231.81 | 231.48 | 273.89 |
| 2 | Building Materials (28) | 226.08 | −0.2 | 17.91 | 6.93 | 7.03 | 226.48 | 227.06 | 227.29 | 224.93 | 253.94 |
| 3 | Contracting, Construction (28) | 349.90 | −0.5 | 27.26 | 6.95 | 4.47 | 351.75 | 352.84 | 355.06 | 356.26 | 415.73 |
| 4 | Electricals (15) | 589.21 | −0.7 | 13.70 | 4.24 | 9.72 | 593.23 | 595.47 | 600.40 | 598.58 | 658.39 |
| 5 | Engineering Contractors (11) | 274.38 | +0.7 | 26.99 | 9.36 | 4.72 | 272.43 | 273.51 | 273.71 | 269.73 | 411.45 |
| 6 | Mechanical Engineering (74) | 155.50 | +0.3 | 21.57 | 8.35 | 5.78 | 154.98 | 155.84 | 156.25 | 157.22 | 206.87 |
| 8 | Metals and Metal Forming (16) | 158.75 | −0.1 | 21.66 | 9.75 | 5.50 | 158.84 | 158.59 | 159.50 | 159.87 | 181.35 |
| 11 | CONSUMER GOODS (DURABLE) (50) | 211.65 | +0.2 | 16.81 | 5.97 | 7.31 | 211.17 | 211.82 | 211.99 | 211.13 | 246.37 |
| 12 | Lt. Electronics, Radio, TV (15) | 300.98 | +0.2 | 12.77 | 4.42 | 10.04 | 300.44 | 301.09 | 301.33 | 299.96 | 333.39 |
| 13 | Household Goods (14) | 105.42 | +0.2 | 28.19 | 10.40 | 4.19 | 105.22 | 104.24 | 104.16 | 104.47 | 172.99 |
| 14 | Motors and Distributors (21) | 104.80 | +0.4 | 25.43 | 9.26 | 4.62 | 104.42 | 105.29 | 105.41 | 104.98 | 128.64 |
| 21 | CONSUMER GOODS (NON-DURABLE) (173) | 211.22 | +0.1 | 19.17 | 7.29 | 6.42 | 210.93 | 211.76 | 212.91 | 211.57 | 251.66 |
| 22 | Breweries (14) | 258.27 | +0.8 | 17.12 | 6.80 | 6.86 | 256.11 | 257.97 | 257.50 | 255.27 | 269.43 |
| 23 | Wines and Spirits (5) | 290.64 | +0.5 | 18.67 | 6.38 | 6.61 | 289.26 | 292.33 | 294.49 | 291.93 | 350.27 |
| 24 | Entertainment, Catering (17) | 285.46 | −0.3 | 19.51 | 7.36 | 6.41 | 286.23 | 287.05 | 289.03 | 288.43 | 337.43 |
| 25 | Food Manufacturing (19) | 187.07 | −0.1 | 21.77 | 8.12 | 5.67 | 187.17 | 187.90 | 189.02 | 187.43 | 229.04 |
| 26 | Food Retailing (15) | 291.93 | −0.6 | 14.22 | 5.17 | 8.40 | 293.65 | 294.77 | 296.34 | 293.23 | 298.56 |
| 32 | Newspapers, Publishing (13) | 401.85 | −0.5 | 25.11 | 7.28 | 5.43 | 403.78 | 403.29 | 405.87 | 405.65 | 451.24 |
| 33 | Packaging and Paper (15) | 124.32 | +0.4 | 24.36 | 9.24 | 5.19 | 123.79 | 124.68 | 125.30 | 125.40 | 151.38 |
| 34 | Stores (43) | 212.68 | +0.3 | 14.46 | 5.40 | 8.95 | 212.01 | 212.96 | 214.32 | 213.02 | 245.66 |
| 35 | Textiles (24) | 123.18 | −0.5 | 28.82 | 12.50 | 4.37 | 123.75 | 123.70 | 124.68 | 124.18 | 191.04 |
| 36 | Tobaccos (3) | 197.16 | — | 29.54 | 11.93 | 3.84 | 197.16 | 196.27 | 197.76 | 196.77 | 280.85 |
| 37 | Toys and Games (5) | 31.47 | +0.3 | 47.78 | 16.13 | 2.58 | 31.37 | 31.13 | 31.63 | 32.15 | 95.42 |
| 41 | OTHER GROUPS (97) | 196.01 | −0.2 | 17.92 | 7.45 | 6.68 | 196.45 | 197.41 | 198.59 | 196.77 | 227.62 |
| 42 | Chemicals (16) | 292.68 | +0.2 | 21.21 | 8.20 | 5.40 | 291.98 | 292.45 | 293.92 | 290.32 | 316.08 |
| 43 | Pharmaceutical Products (7) | 198.38 | −1.0 | 12.92 | 6.59 | 9.39 | 200.33 | 202.40 | 205.51 | 202.55 | 283.17 |
| 44 | Office Equipment (6) | 109.01 | +0.4 | 19.46 | 7.50 | 5.93 | 108.56 | 110.12 | 110.88 | 110.24 | 152.36 |
| 45 | Shipping (11) | 450.45 | −0.3 | 11.43 | 6.87 | 11.09 | 451.94 | 455.07 | 453.15 | 452.94 | 438.26 |
| 46 | Miscellaneous (57) | 229.47 | −0.4 | 18.10 | 7.23 | 6.95 | 230.42 | 231.19 | 232.17 | 230.81 | 254.74 |
| 49 | INDUSTRIAL GROUP (492) | 218.95 | — | 18.66 | 7.11 | 6.59 | 219.02 | 219.88 | 220.99 | 219.76 | 258.86 |
| 51 | Oils (8) | 706.71 | +1.2 | 31.08 | 7.21 | 3.42 | 698.38 | 737.31 | 749.03 | 745.45 | 640.48 |
| 59 | 500 SHARE INDEX | 257.60 | +0.2 | 21.22 | 7.13 | 5.53 | 257.03 | 260.76 | 262.68 | 261.26 | 290.22 |
| 61 | FINANCIAL GROUP (118) | 186.51 | — | — | 6.30 | — | 186.50 | 188.03 | 188.45 | 187.89 | 205.55 |
| 62 | Banks (6) | 203.87 | −0.1 | 47.70 | 7.50 | 2.56 | 204.09 | 207.30 | 205.81 | 205.30 | 243.13 |
| 63 | Discount Houses (10) | 209.06 | −0.4 | — | 9.55 | — | 209.86 | 211.05 | 207.40 | 207.32 | 247.34 |
| 64 | Hire Purchase (5) | 185.80 | +0.4 | 17.68 | 5.34 | 7.35 | 184.99 | 184.70 | 185.68 | 181.97 | 182.41 |
| 65 | Insurance (Life) (10) | 164.84 | — | — | 6.49 | — | 164.80 | 166.98 | 167.82 | 167.26 | 163.48 |
| 66 | Insurance (Composite) (9) | 118.01 | −0.3 | — | 8.33 | — | 118.41 | 121.89 | 122.99 | 122.92 | 148.82 |
| 67 | Insurance Brokers (10) | 291.73 | +1.3 | 16.90 | 7.13 | 8.33 | 287.94 | 286.31 | 288.36 | 282.66 | 352.15 |
| 68 | Merchant Banks (14) | 99.21 | +0.1 | — | 6.21 | — | 99.16 | 99.81 | 99.61 | 99.36 | 96.10 |
| 69 | Property (45) | 358.62 | +0.2 | 3.64 | 3.09 | 39.51 | 357.99 | 354.06 | 356.08 | 356.34 | 342.88 |
| 70 | Miscellaneous (9) | 125.94 | −0.7 | 16.50 | 7.26 | 7.96 | 126.88 | 127.06 | 127.00 | 126.40 | 125.37 |
| 71 | Investment Trusts (109) | 202.15 | −0.9 | — | 6.44 | — | 203.93 | 204.78 | 204.96 | 205.63 | 231.84 |
| 81 | Mining Finance (4) | 187.63 | −0.6 | 12.28 | 4.71 | 9.88 | 188.75 | 185.18 | 191.23 | 187.80 | 135.98 |
| 91 | Overseas Traders (19) | 389.50 | +0.3 | 12.98 | 6.91 | 9.44 | 388.15 | 388.26 | 390.01 | 385.70 | 375.72 |
| 99 | ALL-SHARE INDEX (750) | 240.74 | +0.1 | — | 6.88 | — | 240.49 | 243.27 | 244.91 | 243.69 | 266.71 |

### FIXED INTEREST PRICE INDICES

| | British Government | Tues., Mar. 25 | Day's change % | xd adj. today | xd adj. 1980 to date |
|---|---|---|---|---|---|
| 1 | Under 5 years | 100.93 | +0.08 | — | 2.30 |
| 2 | 5-15 years | 103.49 | +0.41 | 0.14 | 2.68 |
| 3 | Over 15 years | 107.97 | +0.48 | 0.19 | 2.50 |
| 4 | Irredeemables | 118.99 | +0.20 | — | 1.78 |
| 5 | All stocks | 103.89 | +0.31 | 0.10 | 2.34 |

### FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

| | | | Tues., Mar. 25 | Mon., Mar. 24 | Year ago (approx.) |
|---|---|---|---|---|---|
| 1 | Low | 5 years | 13.10 | 13.19 | 9.37 |
| 2 | Coupons | 15 years | 12.93 | 13.01 | 10.21 |
| 3 | | 25 years | 12.93 | 13.01 | 10.24 |
| 4 | Medium | 5 years | 14.98 | 15.01 | 11.65 |
| 5 | Coupons | 15 years | 14.29 | 14.58 | 11.67 |
| 6 | | 25 years | 14.31 | 14.39 | 11.96 |
| 7 | High | 5 years | 15.07 | 15.11 | 11.37 |
| 8 | Coupons | 15 years | 14.84 | 14.90 | 12.16 |
| 9 | | 25 years | 14.71 | 14.77 | 12.44 |
| 10 | Irredeemables | | 12.48 | 12.58 | 10.73 |

| | | Tues., March 25 Index No. | Tues., March 25 Yield | Mon. March 24 | Fri. March 21 | Thurs. March 20 | Wed. March 19 | Tues. March 18 | Mon. March 17 | Fri. March 14 | Year ago (approx.) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 15 | 20-yr. Red. Deb & Loans (15) | 49.70 | 14.86 | 49.69 | 49.67 | 49.67 | 49.61 | 49.61 | 49.68 | 49.62 | 55.94 |
| 16 | Investment Trust Prefs. (15) | 47.12 | 14.08 | 47.12 | 47.73 | 47.91 | 47.91 | 47.91 | 47.91 | 47.91 | 51.03 |
| 17 | Coml. and Indl. Prefs. (20) | 61.34 | 14.67 | 61.34 | 61.18 | 61.38 | 61.38 | 61.54 | 61.34 | 61.81 | 71.40 |

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

## ACTIVE STOCKS

| Stock | Denomination | No. of marks | Closing price (p) | Change on day | 1980 high | 1980 low |
|---|---|---|---|---|---|---|
| BP | 25p | 13 | 338 | +8 | 412 | 328 |
| Bowring (C. T.) | 25p | 11 | 141 | +10 | 149 | 122 |
| BAT Inds. | 25p | 10 | 231 | — | 271 | 228 |
| Shell Transport | 25p | 10 | 338 | +2 | 410 | 314 |
| Beecham | 25p | 8 | 116 | −1 | 134 | 114 |
| Courtaulds | 25p | 8 | 69 | — | 79 | 68 |
| Allied Breweries | 25p | 7 | 72 | +2½ | 84 | 68 |
| Amal. Power | 25p | 7 | 82 | +7 | 95 | 62 |
| Barclays Bank | £1 | 7 | 408 | — | 452 | 398 |
| GEC | 25p | 7 | 358 | — | 388 | 326 |
| Turner & Newall | £1 | 7 | 102 | +2 | 142 | 99 |
| Tricentrol | 25p | 7 | 282 | +4 | 334 | 250 |
| Unilever | 25p | 7 | 414 | −1 | 480 | 414 |
| Imperial Group | 25p | 6 | 75½ | — | 84 | 71½ |
| Marks & Spencer | 25p | 6 | 89 | +1 | 96 | 77 |

## OPTIONS

**DEALING DATES**

| First Deal-ings | Last Deal-ings | Last Declara-tion | For Settle-ment |
|---|---|---|---|
| Mar. 17 | Mar. 28 | Jun. 26 | Jul. 7 |
| Mar. 31 | Apr. 11 | Jul. 10 | Jul. 21 |
| Apr. 21 | May 2 | Aug. 7 | Aug. 18 |

*For rate indications see end of Share Information Service*

*Money was given for the call* in James Neill, Turner and Newall, Petbow, W. L. Pawson, Wilkinson Match, Carpets International, George Ewer, Premier Oil, Shell Transport, Silvermines, John Brown, Comfort Hotels, Ladbroke Warrants, Ultramar, BP, Burmah, Guthrie, House of Fraser, Stone-Platt, Tesco, Chubb, Hawtin, Burton *Warrants* and *Airfix. No puts or doubles were reported.*

## RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### "RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

## UNIT TRUST SERVICE

### OFFSHORE & OVERSEAS—contd.

[illegible]

TSB Gilt Fund Managers (C.I.) Ltd.
10 Wharf St., St. Helier, Jersey (CI). 0534 73494
TSB Gilt Fund 91.0 94.0 +1.0 12.80
TSB Gilt Fd. (Jsy.) 91.0 94.0 +1.0 12.80
Prices on March 26. Next sub. day April 2.

[illegible]

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst. Mngrs. (a)**
72-80, Gatehouse Rd., Aylesbury.

**Allen Harvey & Ross Unit Tst. Mngrs.**
45, Cornhill, London EC3V 3PB.

**Allied Hambro Group (a) (g)**
Hambro Hse., Hutton, Brentwood, Essex.

**Anderson Unit Trust Managers Ltd.**
158, Fenchurch St., EC3M 6AA.

**Ansbacher Unit Mgmt. Co. Ltd.**
1, Noble St., EC2V 7JA.

**Arbuthnot Securities Ltd. (a)(c)**
37, Queen St., London, EC4R 1BY.

**Archway Unit Tst. Mgs. Ltd.**
317, High Holborn, WC1V 7NL.

**Barclays Unicorn Ltd. (a)(c)(g)**
Unicorn Ho. 252, Romford Rd., E7.

**Baring Brothers & Co., Ltd. (a)(x)**
88, Leadenhall St., EC3.

**Bishopsgate Progressive Mgmt. Co.**
9, Bishopsgate, EC2.

**Bridge Fund Managers (a)(c)**
Regis Hse., King William St., EC4.

**Britannia Trust Management (a)(g)(c)**
3, London Wall Buildings, London Wall, London EC2M 5QL.

**The British Life Office Ltd.**
Reliance Hse., Tunbridge Wells, Kt.

**Brown Shipley & Co. Ltd.**
Harlands Hse., Haywards Hth., Sx.

**Canada Life Unit Tst. Mngrs. Ltd.**
2-6 High St., Potters Bar, Herts.

**Capel (James) Mngt. Ltd.**
100, Old Broad St., EC2N 1BQ.

**Carliol Unit Fd. Mgrs. Ltd. (a)(c)**
Milburn House, Newcastle-upon-Tyne.

**Charities Official Invest. Fund**
77 London Wall, EC2N 1DB.

**Chieftain Trust Managers Ltd. (a)(g)**
11, New St., EC2M 4TP.

**Confederation Funds Mgt. Ltd. (a)**
50, Chancery Lane, WC2A 1HE.

**Cosmopolitan Fund Managers (c)**
27-69 Pont St., London SW1X 0BD.

**Craigmount Unit Tst. Mgrs. Ltd.**

**Crescent Unit Tst. Mgrs. Ltd. (a)(g)**
4 Melville Cres., Edinburgh 3.

**Discretionary Unit Fund Managers**
22 Blomfield St., EC2M 7AL.

**E. F. Winchester Fund Mngt. Ltd.**
Great Winchester St., EC2.

**Emson & Dudley Tst. Mngmt. Ltd.**
20, Arlington St., S.W.1.

**Equity & Law Un. Tr. M. (a)(b)(c)**
Amersham Rd., High Wycombe.

**Fidelity International Management Ltd.**
62-63, Queen St., London, EC4R 1AD.

**James Finlay Unit Trust Mngt. Ltd.**
10-14, West Nile Street, Glasgow.

**Framlington Unit Mgt. Ltd. (a)**
64, London Wall, EC2M 5NQ.

**Friends' Provdt. Unit Tr. Mgrs.**
Pixham End, Dorking.

**Funds in Court**
Public Trustee, Kingsway, WC2.

**G.T. Unit Managers Ltd.**
16 Finsbury Circus, EC2M 7DD.

**G. & A. Trust (a) (g)**
5 Rayleigh Road, Brentwood.

**Gartmore Fund Managers (a)(g)**
2 St. Mary Axe, EC3A 8BP.

**Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)**
3 Frederick's Pl., Old Jewry, EC2.

**Govett (John)**
77 London Wall, EC2.

**Grieveson Management Co. Ltd.**
59 Gresham Street, EC2P 2DS.

**Guardian Royal Ex. Unit Mgrs. Ltd.**
Royal Exchange, EC3P 3DN.

**Henderson Administration (a)(b)(c)**
Premier UT Admin., 5 Rayleigh Road, Hutton, Brentwood, Essex.

**Hill Samuel Unit Tst. Mgrs. (a)**
45 Beech St., EC2P 2LX.

**Intel.**
15, Christopher Street, E.C.2.

**Key Fund Managers Ltd. (a)(g)**
25, Milk St., EC2V 8JE.

**Kleinwort Benson Unit Managers**
20, Fenchurch St., EC3.

**L & C Unit Trust Management Ltd.**
The Stock Exchange, EC2N 1HP.

**Legal & General Tyndall Fund**
18, Canynge Road, Bristol.

**Leonine Administration Ltd.**
2, St. Mary Axe, EC3A 8BP.

**Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)**
Registrar's Dept., Goring-by-Sea, Worthing, West Sussex.

**Lloyd's Life Unit Tst. Mngrs. Ltd.**
72-80, Gatehouse Rd., Aylesbury.

**Local Authorities' Mutual Invest. Tst.**
77 London Wall, EC2N 1DB.

**M & G Group (y)(c)(z)**
Three Quays, Tower Hill EC3R 6BQ.

**MaouLife Management Ltd.**
St. George's Way, Stevenage.

**Mayflower Management Co. Ltd.**
14-18, Gresham St., EC2V 7AU.

**Mercury Fund Managers Ltd.**
30, Gresham St., EC2P 2EB.

**Midland Bank Group Unit Trust Managers Ltd. (a)**
Courtwood House, Silver Street, Head, Sheffield, S1 3RD.

**Minster Fund Managers Ltd.**
Minster Hse., Arthur St., EC4R 9BH.

**MLA Unit Trust Mngemnt. Ltd.**
Old Queen Street, SW1A 9JG.

**Murray Johnstone U.T. Mgmt. (a)**
163, Hope Street, Glasgow, G2 2UH.

**Mutual Unit Trust Managers (a)(g)**
15 Copthall Ave., EC2R 7BU.

**National Provident Inv. Mngrs. Ltd.**
48, Gracechurch St., EC3P 3HH.

**National Westminster (a)**
161, Cheapside, EC2V 6EU.

**NEL Trust Managers Ltd. (a)(g)**
Milton Court, Dorking, Surrey.

**Northgate Unit Trust Managers Ltd.**
20, Moorgate, EC2R 6AQ.

**Norwich Union Insurance Group (b)**
P.O. Box 4, Norwich, NR1 3NG.

**Pearl Trust Managers Ltd. (a)(g)(z)**
252, High Holborn, WC1V 7EB.

**Pelican Units Admin. Ltd. (g)(x)**
57-63, Princess St., Manchester.

**Perpetual Unit Trust Mngmt. (a)**
48 Hart St., Henley on Thames.

**Practical Invest. Co. Ltd. (y)(c)**
44, Bloomsbury Sq., WC1A 2RA.

**Provincial Life Inv. Co. Ltd.**
222, Bishopsgate, EC2.

**Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)**
Holborn Bars, EC1N 2NH.

**Quilter Management Co. Ltd.**
The Stock Exchange, EC2N 1HP.

**Reliance Unit Mgrs. Ltd.**
Reliance Hse., Tunbridge Wells, Kt.

**Ridgefield Management Ltd.**
1 Finsbury Sq., EC2A 1PD.

**Rothschild Asset Management (g)**
72-80, Gatehouse Rd., Aylesbury.

**Rowan Unit Trust Mngt. Ltd. (a)**
City Gate Hse., Finsbury Sq., EC2.

**Royal Tst. Can. Fd. Mgrs. Ltd.**
48-50, Cannon St., London EC4M 6LD.

**Save & Prosper Group**
4, Great St. Helens, London EC3P 3EP.

**Schlesinger Trust Mngrs. Ltd. (a)(c)**
140, South Street, Dorking.

**J. Henry Schroder Wagg & Co. Ltd. (a)(c)**
120, Cheapside, E.C.2.

**Scottish Equitable Fnd. Mgrs. Ltd.**
28 St. Andrews Sq., Edinburgh.

**Sebag Unit Tst. Managers Ltd. (a)**
PO Box 511, Bcklbry. Hse., E.C.4.

**Security Selection Ltd.**
15-19, Lincoln's Inn Fields, WC2.

**Stewart Unit Tst. Managers Ltd. (a)**
45, Charlotte Sq., Edinburgh.

**Sun Alliance Fund Mngt. Ltd.**
Sun Alliance Hse., Horsham.

**Target Tst. Mngrs. Ltd. (a)(g)**
31, Gresham St., E.C.2.

**Trades Union Unit Tst. Managers**
100, Wood Street, E.C.2.

**Transatlantic and Gen. Secs. Co. (y)**
91-99, New London Rd., Chelmsford.

**Tyndall Managers Ltd.**
18, Canynge Road, Bristol.

**TSB Unit Trusts (y)**
21, Chantry Way, Andover, Hants.

**Ulster Bank (a)**
Waring Street, Belfast.

**Unit Trust Account & Mgmt. Ltd.**
King William St. EC4R 9AR.

**Wieler Growth Fund**
King William St. EC4R 9AR.

### NOTES

Prices are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Net of tax on realised capital gains unless indicated by ‡. § Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

## INSURANCE PROPERTY BONDS

**Abbey Life Assurance Co. Ltd.**
1-3 St. Paul's Churchyard, EC4.

**Albany Life Assurance Co. Ltd.**
31, Old Burlington St., W.1.

**AMEV Life Assurance Ltd.**
Alma Hse., Alma Rd., Reigate.

**Barclays Life Assur. Co. Ltd.**
252 Romford Rd., E.7.

**Beehive Life Assur. Co. Ltd.**
71, Lombard St., EC3.

**Canada Life Assurance Co.**
2-6 High St., Potters Bar, Herts.

**Cannon Assurance Ltd.**
1 Olympic Way, Wembley HA9 0NB.

**Capital Life Assurance**
Conisten House, Chapel Ash Wton.

**Charterhouse Magna Gp.**
Stephenson Hse., Brunel Centre, Bletchley, Milton Keynes.

**Chieftain Assurance Funds**
11, New St., EC2M 4TP.

**City of Westminster Assurance**
Ringstead House, 6, Whitehorse Road, Croydon CR0 2JA.

**Commercial Union Group**
St. Helen's, 1, Undershaft, EC3.

**Confederation Life Insurance Co.**
50, Chancery Lane, WC2A 1HE.

**Cornhill Insurance Co. Ltd.**
32, Cornhill, E.C.3.

**Credit & Commerce Insurance**
120, Regent St., London W1R 5FE.

**Crown Life**
Crown Life Hse., Woking GU21 1XW.

**Crusader Insurance Co. Ltd.**
Vincula House, Tower Pl., EC3.

**Eagle Star Insur./Midland Assur.**
1, Threadneedle St., EC2.

**Equity & Law Life Ass. Soc. Ltd.**
Amersham Road, High Wycombe.

**Equity & Law (Managed Funds) Ltd.**
Amersham Road, High Wycombe.

**Family Assurance Society**
(See Planned Savings Group)

**Gartmore Bonds**
For underlying unit prices of Gartmore Fund and Lloyd's Life Bonds see Gartmore Fund Managers under Authorised Unit Trusts.

**Assicurazioni GENERALI S.p.A.**
117, Fenchurch St., EC3M 5DY.

**General Portfolio Life Ins. C. Ltd.**
Crossbrook St., Cheshunt, Herts.

**Gresham Life Ass. Soc. Ltd.**
2 Prince of Wales Rd., B'mouth.

**Growth & Sec. Life Ass. Soc. Ltd.**
Weir Bank, Bray-on-Thames, Berks.

**Guardian Royal Exchange**
Royal Exchange, E.C.3.

**Hambro Life Assurance Limited**
7 Old Park Lane, London, W1.

**Hearts of Oak Benefit Society**
15-17, Tavistock Place, WC1H 9SM.

**Hill Samuel Life Assur. Ltd.**
NLA Twr., Addiscombe Rd., Croy.

**Imperial Life Ass. Co. of Canada**
Imperial House, Guildford.

**Irish Life Assurance Co. Ltd.**
11, Finsbury Square, EC2.

**King & Shaxson Ltd.**
52 Cornhill, EC3.

**Langham Life Assur. Co. Ltd.**
Langham Hse., Holmbrook Dr., NW4.

**Legal & General (Unit Assur.) Ltd.**
Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU.

**Legal & General Prop. Fd. Mgrs. Ltd.**
11, Queen Victoria St., EC4N 4TP.

**Life Assur. Co. of Pennsylvania**
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**London Life Linked Assur. Ltd.**
81, King William St., EC4N 7BD.

**The London & Manchester Ass. Gp.**
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**M & G Group**
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**NPI Pensions Management Ltd.**
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**Bank of America International S.A.**
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**Bridge Management Ltd.**
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**Britannia Tst. Mngmt. (C.I.) Ltd.**
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**Butterfield Management Co. Ltd.**
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**Capital International S.A.**
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**Charterhouse Japhet**
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### CENTRAL AFRICAN

| 1980 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 430 | 278 | Coronation | 285xd | ...... | †Q54c | 2.2 | 10.8 |
| 680 | 520 | Falcon Rh.50c | 610xd | −5 | †Q100c | 1.7 | 11.3 |
| 47 | 34 | Rhod'n Corp. 16²/₃p | 40 | ...... | 0.56 | 8.5 | 2.0 |
| 267 | 160 | Roan Cons. K4 | 200 | ...... | †Q0.12 | ϕ | 3.8 |
| 65 | 54 | Wankie Col. Rh.1 | 59 | ...... | Q9c | 1.5 | 10.5 |
| 54 | 29 | Zam.Cpr.SBD0.24 | 30 | −2 | — | — | — |

### AUSTRALIAN

| 1980 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 25 | 22 | Acmex 50c | 22 | ...... | — | — | — |
| 24 | 12 | ACM 20c | 15 | ...... | — | — | — |
| 115 | 75 | Bond Corp. | 80 | ...... | Q3.75 | 2.2 | 2.4 |
| 234 | 132 | Bougainville 50 Toea | 165 | −3 | sQ39½c | ϕ | 12.8 |
| 265 | 195 | BH South 50c | 200 | ...... | ♦ | — | — |
| 25 | 11½ | Canada Northwest | 14 | ...... | — | — | — |
| 42 | 8 | Carr Boyd 20c | 20 | −4 | — | — | — |
| £26 | £15½ | Central Pacific | £15½ | −1½ | — | — | — |
| 356 | 236 | Conzinc Riotinto 50c | 236 | −8 | Q15c | ϕ | 3.3 |
| 39 | 17 | Cultus Pacific N.L. | 24 | −4 | — | — | — |
| 50 | 20 | Eagle Corp. 10c | 26 | −2 | — | — | — |
| 26¼ | 15¼ | Endeavour 20c | 18½ | −½ | — | — | — |
| 258 | 175 | G. M. Kalgoorlie 25c | 198 | −4 | †Q3c | — | 0.8 |
| [illegible] | [illegible] | Hampton Areas 5p | 350 | +5 | 3.5 | 2.8 | 1.4 |

## TINS

## COPPER

| 1980 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 235 | 130 | Messina R0.50 | 188 | −4 | Q10c | ♦ | 3.2 |

## MISCELLANEOUS

| 1980 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 160 | 78½ | Anglo-Dominion | 143 | −12 | — | — | — |
| 97 | 58 | Barymin | 70 | −2 | — | — | — |
| 14½ | 12 | Burma Mines 17½p | 13½ | ...... | — | — | — |
| 502 | 330 | Cons. Murch. 10c | 410 | ...... | M010c | 1.8 | 14.0 |
| 585 | 350 | Northgate C$1 | 380 | −10 | — | — | — |
| 485 | 327 | R.T.Z. | 353 | −2 | †11.5 | 3.4 | 4.7 |
| 33 | 16 | Robert Mines | 27½ | ...... | — | — | — |
| 58 | 30 | Sabina Inds. C$1 | 34 | −6 | — | — | — |
| 650 | 485 | Tara Exptn. $1 | 520 | −40 | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ✣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✣ Regional price.
- ǁ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| Stock | Price | + or − |
|---|---|---|
| Albany Inv. 20p | 28 | ...... |
| Bertam | 18 | ...... |
| Bdg'wtr. Est. 50p | 365 | ...... |
| Clover Croft | 60 | ...... |
| Craig & Rose £1 | £10½ | ...... |
| Fife Forge | 38xd | ...... |
| Finlay Pkg. 5p | 21 | ...... |
| Graig Ship. £1 | 850 | ...... |
| Higsons Brew. | 75 | ...... |
| Holt (Jos) 25p | 255 | ...... |
| I.O.M. Stm. £1 | 165 | ...... |
| Pearce (C. H.) | 325 | ...... |
| Peel Mills | 37 | ...... |
| Sheff. Refrshmt | 97½ | ...... |
| Sindall (Wm.) | 165 | ...... |

IRISH

| Stock | Price | + or − |
|---|---|---|
| Conv. 9% '80/82 | £86 | ...... |
| Nat 9¾% 84/89 | £70½ | ...... |
| Fin. 13% 97/02 | £77½ | +⅛ |
| Alliance Gas | 60 | ...... |
| Arnott | 380 | ...... |
| Carroll (P.J.) | 50 | ...... |
| Clondalkin | 104 | +½ |
| Concrete Prods. | 80 | ...... |
| Helton (Hldgs.) | 34 | ...... |
| Ins. Corp. | 295 | ...... |
| Irish Ropes | 80 | ...... |
| Jacob | 37 | ...... |
| T.M.G. | 140 | +3 |
| Unidare | 102 | ...... |

## OPTIONS
### 3-month Call Rates

| Industrials | | | | | |
|---|---|---|---|---|---|
| A. Brew | 8 | I.C.I. | 32 | Utd. Drapery | 9 |
| BOC Intl. | 6 | "Imps" | 7 | Vickers | 14 |
| B.S.R. | 5 | I.C.L. | 45 | Woolworths | 6½ |
| Babcock | 12 | Inveresk | 5 | **Property** | |
| Barclays Bank | 30 | Ladbroke | 15 | Brit. Land | 7 |
| Beecham | 13 | Legal & Gen. | 14 | Cap. Counties | 9 |
| Blue Circle | 25 | Lex Service | 10 | Land Secs. | 25 |
| Boots | 17 | Lloyds Bank | 24 | MEPC | 17 |
| Bowaters | 16 | "Lofs" | 5½ | Peachey | 13 |
| B.A.T. | 25 | London Brick | 6 | Samuel Props. | 12 |
| Brown (J.) | 7 | Lucas Inds. | 23 | Town & City | 2 |
| Burton 'A' | 22 | "Mams" | 14 | | |
| Cadburys | 5½ | Mrks. & Spncr | 9 | **Oils** | |
| Courtaulds | 8 | Midland Bank | 30 | Brit. Petroleum | 38 |
| Debenhams | 8 | N.E.I. | 5 | Burmah Oil | 20 |
| Distillers | 21 | Nat. West. Bank | 32 | Charterhall | 12 |
| Dunlop | 5½ | P & O Dfd. | 9 | KCA | 11 |
| Eagle Star | 14 | Plessey | 16 | Premier | 12 |
| F.N.F.C. | 2½ | Racal Elect. | 20 | Shell | 35 |
| Gen. Accident | 21 | R.H.M. | 4½ | Tricentrol | 35 |
| Gen. Electric | 30 | Rank Org. | 18 | Ultramar | 50 |
| Glaxo | 40 | Reed Intnl. | 17 | | |
| Grand Met. | 12 | Sears | 5½ | **Mines** | |
| G.U.S. 'A' | 38 | Tesco | 7 | Charter Cons. | 18 |
| Guardian | 23 | Thorn | 25 | Cons. Gold | 32 |
| G.K.N. | 22 | Trust Houses | 14 | Lonrho | 12 |
| Hawker Sidd | 26 | Tube Invest. | 27 | Rio T. Zinc | 38 |
| House of Fraser | 12 | Unilever | 40 | | |
| | | U.D.T. | 4 | | |

A selection of Options traded is given on the London Stock Exchange Report page

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# Steel craft unions to leave strike body

BY CHRISTIAN TYLER, LABOUR EDITOR

STEEL INDUSTRY craft union leaders decided last night to accept the findings of the committee of inquiry to settle the national steel strike "as full settlement of our claim" and to withdraw from the 10-man multi-union Iron and Steel Co-ordinating Committee.

They will meet again next Wednesday to consider the position of their members.

The alliance of leaders of the 13 unions in the dispute, forged halfway through the strike, is now clearly under severe strain.

Leaders of some of the smaller craft unions in the industry, particularly the Amalgamated Union of Engineering Workers, are furious that the Iron and Steel Trades Confederation and its allied National Union of Blastfurnacemen have refused to call off the strike while the inquiry sits.

The Confederation cannot afford strike pay, but the engineers must have spent more than £1½m in dispute benefit so far. The Confederation has spent a similar figure in administration and propaganda.

The so-called Iron and Steel Co-ordinating Committee had been seen as the possible precursor of a permanent joint bargaining forum, something that the British Steel Corporation has been anxious to secure.

Members of the committee of inquiry were tentatively selected last night from names submitted by the Corporation and unions.

The selection was made by Mr. Jim Mortimer, chairman of the Advisory, Conciliation and Arbitration Service (ACAS), who was last night trying to contact Mr. Bill Sirs, general secretary of the confederation on whether an announcement could be made. Unless there is a last-minute objection, the names may be declared today.

Earlier yesterday, the Corporation and the trade unions talked to ACAS about their nominations for an independent chairman and one representative for each side in the strike, which is now entering its 13th week.

The inquiry has to determine what the pay increases should be, based on a document of agreed productivity concessions. It is faced with the corporation's offer of 10 per cent at national level and 4 per cent minimum in return for job losses and local productivity improvements, and with a union claim for 14 per cent and 5 per cent respectively.

Although it is generally assumed that the inquiry would take about a week to set up and report, Dr. David Grieves, the corporation's director of personnel, pointed out yesterday that the court of inquiry in the Llanwern blast furnace dispute in 1975 took only two days from start to finish.

At their meeting last night, leaders of the nine craft unions argued that the decision to continue the strike should have been taken collectively.

They were also angry at the refusal of the two main unions to be bound by the committee of inquiry's finding. As things stand, the main unions may want to argue over the findings before returning the result to their negotiators for approval.

The strike might thus last until after Easter.

Separate talks were held yesterday between the corporation and trade union leaders about plans to shed more than 50,000 jobs this year.

Dr. Grieves said afterwards that certain items in the corporation's commercial case would be looked at in more depth; for example, demand forecasting and the outlook for BSC's market share.

Mr. Gordon Sambrook, commercial director, described as a "travesty of the truth" reports that British industry was nearing a crisis for lack of steel. He said the engineering industry had on average four to five weeks' stocks

# Shorter hours for construction workers

By Nick Garnett, Labour Staff

BUILDING and civil engineering employers yesterday conceded a 39-hour week from 1982.

The offer, which directly affects 700,000 workers but has implications for other sectors, reflects the changing climate for negotiations on shorter hours since the unions' breakthrough on hours in the engineering industry settlement last October.

Since then, parts of the printing and furniture industries, and the water supply industry, have won a shorter working week.

Postal workers were also offered a cut in hours, linked to a productivity package they eventually rejected.

Reductions in hours worked in the plumbing and heating and ventilating industries, which are closely linked to mainstream construction work, have put further pressure on the construction industry employers.

The employers have been under pressure to concede a shorter working week for the past three years, but have always been adamant that they would not be the first major group to concede a 39 hour week.

They said yesterday, however, that because of general developments on hours they were now prepared to do so. The cost of the reduction would have to be taken into account during the 1982 wage negotiations.

The hours offer is part of a new pay and conditions package linked to improved productivity through better site attendance.

The present basic wage for craftsmen would be increased from £51.60 to £67.20, the guaranteed minimum bonus from £7 to £11.40 and the guaranteed minimum pay from £67 to £78.60—a rise of 17.3 per cent.

The basic wage for labourers would rise from £44 to £57.20, the guaranteed minimum bonus from £6 to £9.80 and the guaranteed minimum pay from £57.20 to £67—a rise of 17.1 per cent.

# Saudi Arabia to keep oil output high to aid market

BY RAY DAFTER, ENERGY EDITOR

Sheikh Yamani, Saudi Oil Minister

SAUDI ARABIA, the world's leading oil exporter, is to maintain its raised production level of 9.5m barrels a day until the world oil markets return to normal.

The pledge was given in London yesterday by Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, who discounted market speculation that the kingdom would drastically cut production levels.

"Nothing so far confirms this rumour," he told an Institute of Directors conference.

Saudi Arabia raised its output from its preferred ceiling of 8.5m barrels a day last year to relieve market pressures caused by the reduction in Iranian exports.

It is maintaining its 9.5m b/d production level for at least the next quarter in spite of the modest surplus in supplies that is beginning to emerge.

That surplus might soon be eroded by the policies of some other producers within the Organisation of Petroleum Exporting Countries.

Kuwait, Libya and Venezuela are among those planning to reduce output from next Tuesday — a move designed to maintain tightness of supply and underpin the rising price of crude oil.

The oil industry saw Sheikh Yamani's announced policy as an attempt to prevent a new supply shortage that might have resulted in a further round of price leapfrogging this summer.

It was also hoped that the Saudi move would contribute to a unification of the OPEC pricing system, abandoned last year when producers, operating in a seller's market, sought various premium payments.

However, Sheikh Yamani gave a warning that Saudi Arabia could not forever mitigate a developing energy crisis by maintaining high production levels.

World oil reserves were being rapidly depleted, he said. They would be exhausted unless a big global energy programme was introduced.

"Saudi Arabia has so far been able to delay this abysmal prospect by using its abundant production as a palliative to thwart shortages in world supplies. Most observers believe, however, that this unrequited and sacrificial attitude on its part will not go on indefinitely."

Oil self-sufficiency close: Institute of Directors' report, Page 10

UK near oil self-sufficiency Page 10

# Industrial activity still declining

By John Elliott, Industrial Editor

A continuing decline in activity of manufacturing industry was reported last night by the Confederation of British Industry.

In its monthly survey of some 2,000 manufacturing companies the CBI says that the state of total order books has worsened, and that stocks have risen for the second month in succession despite the steel strike.

Financial problems facing industry are highlighted in reports from the CBI's regional offices.

These support the Central Statistical Office figures published on Monday, and show that companies are complaining about increasing serious liquidity difficulties.

The decline in order books is most serious for companies involved in metal manufacturing, possibly because their customers are concerned about their ability to deliver. Tihs suggests that while the steel strike may not have much general impact on industry at present, it is likely to hit companies in the future.

These companies report that their stocks of finished goods are becoming less than adequate, indicating a further effect of the strike.

The fact that reports of high levels of stocks in industry generally are increasing, despite this fall-off in metal manufacturing, underlines the lack of general demand in the economy.

Export order books have remained strong for the second month running, though they are still below normal.

As in last month's survey, export demand is particularly weak for textile companies, but strong in chemicals, coal and petroleum.

The CBI's economists comment that information from all their sources points to a weakening of demand in the UK in the past month. But, they add, international demand is running more strongly than was generally expected.

# Soviet steel contract 'impossible'

BY IAN HARGREAVES IN NEW YORK

ARMCO of the U.S. and Nippon Steel of Japan both consider their participation in a $353m (£160m) Soviet steel plant contract virtually impossible, but the American company believes a French company is interested in the project.

These points were made in testimony, to a congressional committee by Mr. William Verrity, chairman of Armco and co-chairman of the U.S.-USSR trade and economic committee.

Previously, Armco had only questioned its own ability to continue with the deal to build an electrical steel plant 350 miles south of Moscow, but Mr Verrity said Nippon had now decided it would not go along without its American partner.

The Russians, he said, had extended to March 31 the deadline for a U.S. decision on whether to ban Armco's participation as part of President Carter's ban on technology exports to the Soviet Union.

"There is no way we are going to get export licences by the end of the month," said Mr. Verrity.

More controversially, Mr. Verrity alleged that Creusot Loire of France, which Armco beat in a long bidding process for the contract, was ready to move in and take the contract—though the French firm has denied this.

"We expect this plant to be built by the French and with French technology," he said.

Terry Dodsworth reports from Paris: Creusot Loire yesterday denied it was now interested in the contract.

The company said the matter was closed and that it had not opened new discussions.

# Award will help in chip design

PROFESSOR G. T. Wright and Dr. P. W. Webb, of the Department of Electronic and Electrical Engineering, at the University of Birmingham, have been awarded £110,000 by the Wolfson Foundation to help design and evaluate silicon chips for the British micro-electronics industry.

The award will be used by the Solid State Electronics Group to set up an infra-red diagonstic facility for scanning thermal microscopy of semi-conductor devices and integrated microcircuits.

# Jaguar strike may be delayed

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

JAGUAR SHOP stewards are likely to delay a planned strike because of a divided vote at a mass meeting yesterday.

The day shift at the Browns Lane factory, Coventry, voted by 1,347 to 1,061 for a strike from next Monday in protest at BL's decision to impose a 5 per cent pay offer linked to changes in working practices.

But Mr. David Holloway, the Transport and General Workers' Union convener, said last night that it would be "dangerous" to embark upon action with the workforce divided.

He maintained those voting against a strike believed time should be allowed for national union officials to give a lead and to seek further meetings with the company.

"The real argument is about timing—whether we should strike on Monday or April 9, when the company imposes the deal," Mr. Holloway said.

He said that Jaguar workers had voted by a 7-1 majority in favour of a strike in a secret ballot organised by the unions earlier this year.

The extent of opposition to the strike yesterday could owe something to BL's policy of "communicating" with the workforce.

A letter circulated within the factory by management yesterday warned that "a protracted dispute would, without doubt, put in jeopardy the future of Jaguar."

Feature, Page 12

# U.S. helps with German deficit

BY JONATHAN CARR IN BONN

THE U.S. is giving the West German Government short-term help in financing its budget deficit and may soon provide more in the longer term.

The U.S. is thus emerging, in addition to Saudi Arabia, as a source of funds in Bonn's new policy of borrowing abroad, a marked change from the situation even a few months ago.

Only in January, the U.S. Treasury completed a new issue of Deutsche mark-denominated bonds in Germany—the so-called Carter bonds—originally to giv ethe .S. added means of defending the dollar.

Meanwhile, however, the dollar has strengthened while the D-mark has weakened, partly because of a growing German current-account deficit and high American interest rates attracting funds to the U.S.

In those circumstances, it is understood that part of the D-mark proceeds from the Carter bonds issue, no longer needed for their original purpose, has been temporarily "parked" with the German Federal Finance Ministry to help with its budget financing.

The sums are believed to be relatively small and to be on short call in case the situation should alter on the currency markets and the U.S. authorities rapidly need the funds again.

But it is also understood that the U.S. is actively considering taking up an issue of German fixed-interest securities with a maturity of two years or more. The sum involved is likely to be less than DM 1bn (£241m).

That is well below the DM 5bn or so being raised by Bonn through the issue of similar securities to Saudi Arabia, at an interest rate somewhat below that prevailing on the German capital market.

The surprising part is felt to be that the operation is being carried out at all—after years in which Bonn has been urging the U.S. to strengthen its currency and reduce its current-account deficit. The boot now seems to be firmly on the other foot.

With their foreign borrowing the West Germans are trying to overcome with a double obstacle—partly related directly to the federal budget, partly to the current account.

Jurek Martin writes from Washington: U.S. Treasury officials confirmed yesterday that the U.S. was prepared to buy D-mark-denominated bonds or notes issued by the German Government as a way of easing pressure on the German currency.

No agreement on the size or timing of such an issue has yet been reached, but the technical obstacles are not considered great.

# THE LEX COLUMN

# Reckitt tackles its problems

After a 20 per cent drop in pre-tax profits at the half-way stage, Reckitt and Colman has shown less of a decline—13 per cent—in the second half, for a full-year figure of £51m against £61.3m in 1978. At the trading level the second-half performance has recovered to only a little short of the same period in 1978, in spite of adverse currency movements. However, interest charges have continued to rise sharply, more than doubling in the second half to £5.4m.

The first-half savaging sustained by the company in North America—where profits virtually disappeared—has been tackled by a vigorous closure policy, which is beginning to show results. Earnings here should come back to at least £4m in the current year—half the 1978 level. Problems in Brazil, where returns have been halved to £2m, look like continuing, while European results have deteriorated in the second half, with the West German household products business producing a loss and reduced margins in France. UK exports were hit by the strength of sterling, although there has been some recovery in the second half as the problems of trading with Nigeria eased.

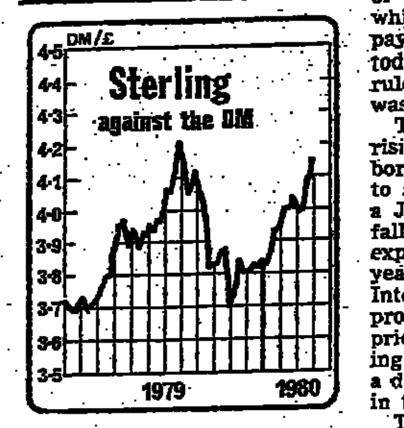
Both interest charges and the pound are likely to remain a drag on profitability in the current year, especially as translation at average parities means a further £2m or so profits reduction if sterling stays at present levels. Unchanged capital expenditure will produce a further cash outflow, although probably less than in 1979, since there should be no closure costs. Last year net borrowings rose by £26.1m, although total debt is still below two-fifths of tangible assets.

Overall profits could be up a bit this year, at about £56m, but the company is in no position to finance expansion out of cash flow, as in the past. The decision to cut back in pharmaceuticals also undermines earlier hopes of a new growth phase. All this helps to explain the recent weakness of the shares, which dropped a further 4p yesterday to 172p, for a yield of about 7 per cent and a prospective p/e of below 9, fully-taxed.

## Marsh/Bowring

The Marsh and McLennan bid for Bowring jumped its biggest hurdle yesterday when the Office of Fair Trading decided not to refer the deal to the Monopolies Commission.

**Index rose 3.1 to 430.3**




From now on, there is an easy run-in to registration at the U.S. Securities and Exchange Commission before the offer can finally go to shareholders of Bowring.

But although the bureaucratic obstacles may be being overcome, Marsh has been much less lucky with the financial environment. Since the terms were announced early in January the Marsh share price has slipped from around $69 to $54½, and although the dollar has firmed 3 per cent against sterling, making the cash element (now about 56 per cent of the total) a little more valuable, the short-term financing cost to Marsh has rocketed.

At least the fact that Marsh fixed up a binding commitment some months ago—well before the latest Federal Reserve banking restrictions—means that funds are available for such a now officially frowned upon purpose as making a takeover bid. The "Initial Commitment" from Morgan Guaranty, Bankers Trust and Citibank makes available $300m, against the $275m or so which would be needed to cover the cash element of the bid on the original terms. Marsh can, of course, issue shares without restriction.

But the Bowring camp is getting a certain amount of satisfaction from the slide in Marsh's share price which has taken the value of the bid down from 168p in January to a current 156p. At 11 times published 1979 earnings for Bowring, that is far from being a knockout offer.

## LASMO

Consolidating Oil Exploration for the whole of 1979, LASMO has come out with pre-tax profits of £23.4m (against a 1978 loss of £10.7m), beating the companies' combined forecasts by nearly £1m. Net earnings, at £9.3m, have done even better as LASMO has decided that it need provide for only £6.5m of petroleum revenue tax—which will not in any case be payable until 1981-82, unless today's Budget changes the rules—rather than the £11m it was suggesting in November.

The company is using its rising cash flow to repay bank borrowings, which were down to £48.7m at the year-end from a June peak of £61m, and will fall further as 1980 is not expected to be an expensive year for oilfield development. Interest saving will add to the profits bonanza; higher average prices and Ninian volume pushing up towards 300,000 barrels a day should bring net earnings in the region of £30m.

This would be enough to clear the accumulated deficit on LASMO's revenue reserve and allow the payment of a maiden dividend. At 440p, the shares stand at 11 times prospective earnings—ideally, earnings growth should continue strong, as the exploration expenditure on OilEx's "T" block can be offset against corporation tax on Ninian earnings, and profits from the "T" block should flow just as Ninian reaches a plateau.

But the share price is also influenced by LASMO's asset backing and its attractions to a bidder, which will be enhanced if its status as a "small" UK oil company gains it preferential treatment in the forthcoming North Sea licensing round.

## Wall Street

Wall Street's brief attempt at a technical rally yesterday morning came after a six-week period in which the main equity indices have fallen by up to 15 per cent. The strength in share prices earlier this year was based on the illusion that the long heralded recession was not going to materialise in any marked form, and that real assets were a better investment than cash while inflation continued to accelerate. That theory was looking shaky well before the latest anti-inflation package, and has now been discredited.

The result has been some sharp falls among the stocks which were the leaders in January and February, like the defence and oil companies. Groups with weak balance sheets have also been singled out for selling. Of the 800 top companies, the worst performer in the week to Monday according to Datastream calculations was General Public Utilities, of Three Mile Island fame, and Chrysler was not far behind

# Weather

UK TODAY

Sunny intervals and some heavy showers; hill snow in far north. Cool.

**Aberdeen, Moray Firth area, NE Scotland, Orkney, Shetland**
Showers, snow on hills. Cool. Max. 7C (45F).

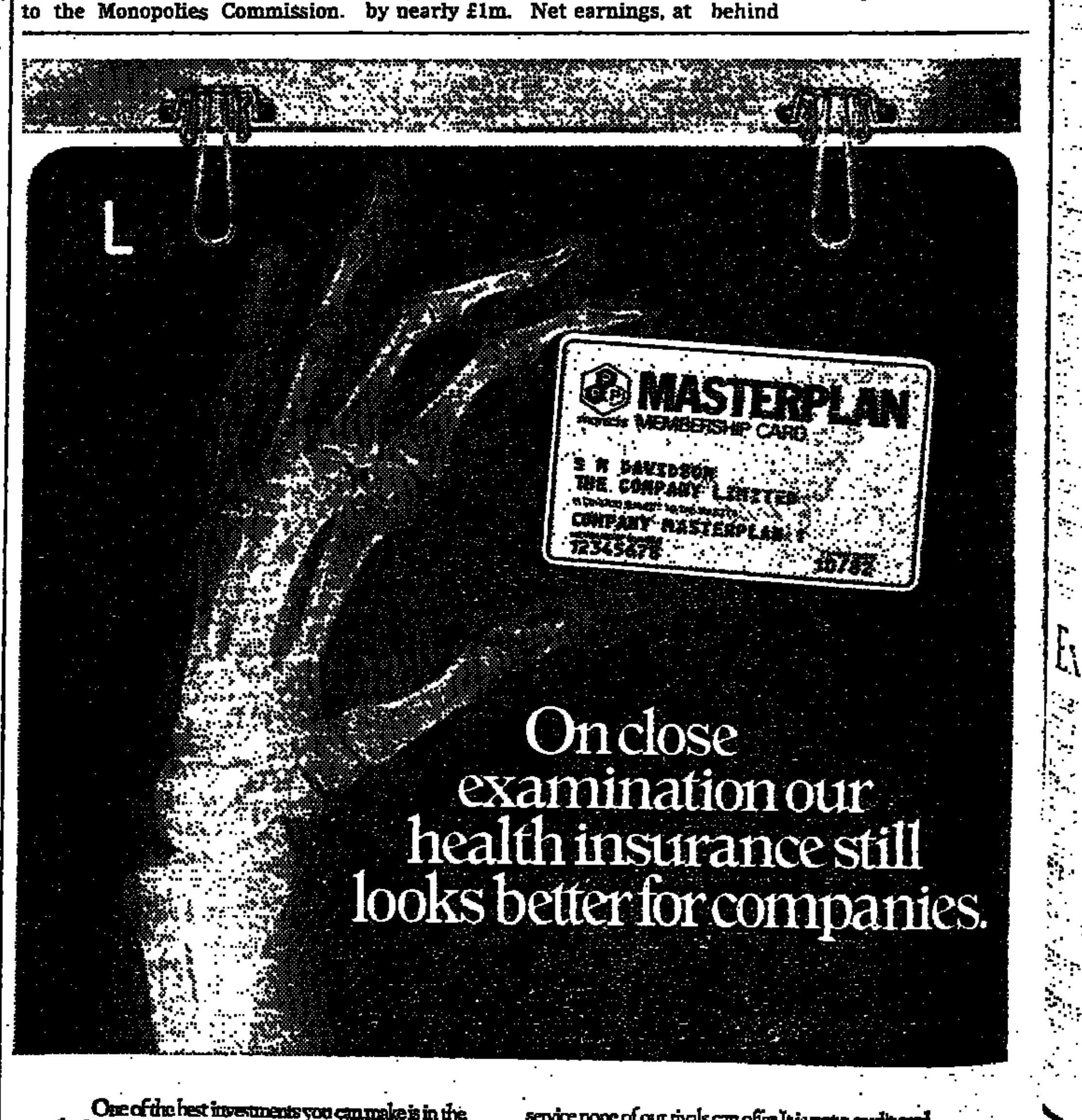
**Elsewhere**
Sunny intervals, some heavy showers, wintry in hills. Near normal. Max. 11C (52F).

**Outlook:** Rain in many places.

WORLDWIDE

| | | Y'day midday °C | °F | | | Y'day midday °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 10 | 61 | Lisbon | C | 16 | 61 |
| Algiers | F | 18 | 64 | Locarno | R | 8 | 46 |
| Amsdm. | F | 12 | 54 | London | F | 11 | 52 |
| Athens | S | 18 | 64 | Luxmbg. | F | 11 | 52 |
| Bahrain | S | 30 | 86 | Luxor | S | 39 | 102 |
| Barclna. | F | 17 | 63 | Madrid | F | 13 | 55 |
| Beirut | S | 18 | 64 | Majorca | S | 18 | 64 |
| Belfast | R | 5 | 41 | Malaga | S | 17 | 63 |
| Belgrd. | F | 13 | 55 | Malta | S | 17 | 63 |
| Berlin | C | 4 | 39 | Mchstr. | C | 7 | 45 |
| Biarritz | S | 13 | 55 | Melbne. | S | 17 | 66 |
| Bmghm. | F | 10 | 50 | Milan | C | 9 | 48 |
| Blackp'l | F | 10 | 50 | M'ntreal | Sl | 2 | 36 |
| Bordx. | R | 9 | 48 | Moscow | S | 0 | 32 |
| Boulgn. | C | 8 | 46 | Munich | F | 10 | 50 |
| Bristol | C | 9 | 48 | Nairobi | S | 25 | 76 |
| Brussels | F | 13 | 55 | Naples | F | 13 | 55 |
| Budpst. | C | 8 | 46 | Nwcstl. | F | 7 | 45 |
| B. Aires | C | 25 | 77 | N. York | C | 5 | 41 |
| Cairo | S | 29 | 84 | Nice | S | 14 | 57 |
| Cardiff | C | 8 | 46 | Nicosia | F | 20 | 68 |
| Cas'b'ca | F | 17 | 63 | Oporto | R | 11 | 52 |
| Cape T. | C | 23 | 73 | Oslo | S | 0 | 32 |
| Chicago | C | −1 | 30 | Paris | C | 9 | 48 |
| Cologne | S | 13 | 55 | Perth | C | 27 | 82 |
| Cpnhgn. | S | 4 | 39 | Prague | C | 2 | 36 |
| Corfu | F | 17 | 63 | Reykjvk. | S | 1 | 34 |
| Dublin | C | 5 | 41 | Rhodes | S | 19 | 66 |
| Dbrvnk. | F | 15 | 59 | Rio J'o | S | 30 | 86 |
| Ednbgh. | S | 9 | 48 | Rome | F | 14 | 57 |
| Faro | S | 18 | 64 | Salzb'rg | S | 12 | 54 |
| Florence | R | 9 | 48 | Singapr. | S | 31 | 88 |
| Frankf't | S | 12 | 54 | Stckhm | S | 2 | 36 |
| Funchal | S | 17 | 63 | Strasb'g | F | 14 | 57 |
| Geneva | C | 10 | 50 | Sydney | C | 24 | 75 |
| Gibrltr. | F | 16 | 61 | Tangier | F | 17 | 63 |
| Glasgow | C | 8 | 46 | Tehran | C | 15 | 58 |
| G'rnsey | S | 9 | 48 | Tel Aviv | S | 21 | 70 |
| Helsinki | S | −2 | 28 | Tenerife | S | 15 | 59 |
| H. Kong | S | 21 | 69 | Tokyo | C | 8 | 46 |
| Innsbrk. | F | 12 | 54 | Toronto | C | 1 | 34 |
| Invrnss. | F | 7 | 45 | Tunis | C | 16 | 61 |
| I.o.Man | F | 8 | 46 | Valencia | S | 18 | 64 |
| Istanbul | R | 8 | 46 | Venice | F | 11 | 52 |
| Jersey | S | 9 | 48 | Vienna | C | 6 | 43 |
| Jo'burg | C | 20 | 68 | Warsaw | Sn | −3 | 27 |
| L. Plms. | S | 19 | 66 | Zurich | F | 10 | 50 |

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

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